eople, to secede from us in an

independent Palestinian state,

the King told viewers in Jor-

dan and throughout the Israe-

li-occupied territories.

The Jordanian monarch, in what was clearly a painful

decision, was agreeing to a sep-aration of territory in the East and West Banks of the River

Jordan that had been under

the jurisdiction of his family from 1950 until 1967.

The King's statement was

the culmination of a long struggle between the PLO and

Jordan over who should repre-sent the Palestinians of the

West Bank.
This year's Palestinian uprising against Israeli rule in the occupied territories helped pro-

vide the catalyst for this important shift in the Jorda-

King Hussein's stark

announcement that Jordan

was disengaging itself from the West Bank came as something

as a surprise to Jordanians,

even though there had been many hints in the past two

The King left unclear

whether Jordan would con-tinue to pay its thousands of administrative staff in the

West Bank.
The dissolution of Parlia-

ment followed the official abandonment last week of Jor-

dan's sponsorship of an eco-

nomic development pro-

gramme in the West Bank that

was regarded with deep suspi-

cion by the PLO when it was

The PLO saw the so-called West Bank Development Plan as a Jordanian attempt to

curry favour among West Bank

Palestinians at the expense of

launched in 1986.

nian position.

#### **World News**

#### Anti-Mafia judge quits Italian crime fight

Italy's battle against organised crime suffered a setback with the resignation of a group of officials including Judge Giov-anni Falcone, the nation's lead-

ing anti-Mafia investigator.
The resignation of the Palermo-based magistrate comes amid allegations from Judge Falcone and his colleagues that state and local officials are interfering with the fight against the Cosa Nostra, Page 18.

#### Shuitz mission

US Secretary of State George Shultz begins a 10-day tour of Latin America today, apparently to sound out support for renewed pressure upon the Sandinista Government in Nicaragua, Page 3

Congress defectors Thirteen Indian assembly members of Prime Minister Rajiv Gandhi's Congress (1)

party in the northeastern state of Nagaland defected to the opposition and their leader, Vamuzo, said he was ready to form a state government.

#### 30 die in collapse

Thirty people were killed and more than 406 injured when part of a jetty collapsed in the north Malaysian port of Butter-worth beneath a thousandstrong queue for a ferry to a religious festival on Penang

#### Sikhs kill eight Sikh extremists hacked a

woman to death and shot dead six men in Punjab. An eighth victim died of bullet wounds

Kassebaum says no Republican senator Nancy Kassebaum said during a television interview that she did not wish to be Vice President George Bush's running mate in the US presidential election

Shooting in Cyprus A Turkish soldier shot and seriously wounded a Greek Cypriot national guardsman on the Green Line in Cyprus which separates the island's Greek and Turkish communi-

#### Paris journal bomb Fire, thought to be the result

of a bomb explosion, destroyed the Paris offices of French magazine Globe. No one claimed responsibility for the incident in which a fireman was injured.

#### Bishop to Lebanon

The Bishop in Cyprus and the Gulf, the Right Rev John Brown, returned from the Lebanon after talking with Christian leaders about four Iranians missing there since 1982. The Archbishop of Canterbury had sent him, hoping this could help efforts to secure the release of Terry Waite and other hostages.

Bus crashes in Spain At least six people died and 20 were injured when their bus collided with a stationary

#### lorry near Vendrell in northeastern Spain.

Cholera claims 400 An outbreak of cholers and gastro-enteritis in Delhi and other parts of India has claimed more than 400 lives, the Press Trust of India

#### China floods

Floods in southeast China killed 139 and left 300 missing as torrential rain hit five counties in Zhejiang Privince.

#### Four die in plane their small private aircraft

Four people were killed when crashed two minutes after taking off from an airport in northern Norway, police said.

#### Channel tragedy

Four people were feared dead after a catamaran went missing in the English Channel. Two bodies were washed up near a Dorset beach, although their identities have not been

#### Aegean warning Greek Premier Andreas Papandreou warned that Greece would not permit any challenge to its use of the Aegean Sea.

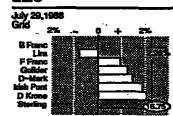
#### **Business Summary**

#### Soviets take first step toward credit card society

**SOVIET UNION: Licensing** agreements signed between the Vnesheconombank, or bank for foreign economic affairs, and Eurocard/Mastercard and Eurocheque compa-nies in Moscow signalled first step towards transforming the Soviet Union into a credit card society. Page 18

BRAZIL took another step towards the completion of its heavy debt-rescheduling programme by reaching agree-ment with the Paris Club, representing government creditors, on repayment of \$5bn of official debts. Page 3

**EUROPEAN Monetary System:** The West German Bundesbank led a concerted rise in European interest rates last week, in response to a rising dollar and inflation fears.



ECU Divergence

ECU Day

An increase in the Lombard rate was followed by a Dutch discount rate rise and higher Austrian rates. French rates were not altered, and there was no currency intervention by the Bank of France. A strong dollar tends to bear down on the D-Mark and reduce pressure on cross-pari-

The Bundesbank continued to sell dollars while the Bank of England was active, buying a cocktail of currencies to try to control sterling's rise.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 214 per cent. The lower chart aives each currency's divergence from the "central rate" age the European Currency Unit (Ecu), itself derived from a basket of European currencies.

DE LA RUE, security printing and printing technology group in which UK publisher Robert Maxwell and associates have a 14.9 per cent holding, has bought ILS Systems, Dutch lottery ticket printing group, for £3.9m (\$6.7m). Page 23

HYUNDAI Merchant Marine, South Korean shipping line. told European Community gov ernments it believes it is being used as a "hostage" by the European Commission in an attempt to force changes in Korean law. Page 4

**EUROPEAN COMMUNITY** lacks a common external trade policy to deal with future threats to EC car production from Japan, South Korea and the US, or for the related issue of setting local content require ments for EC-based assembly plants, according to a report.

WERK AHEAD: Buoyancy of the US economy is likely to be focus of attention in financial markets this week, with a series of economic statistics expected to point to continuing strong growth. Page 19

SINGER, US electronics and defence conglomerate controlled by Paul Bilzerian, Florida corporate raider, has agreed to sell its American Meter division for \$132m to Ruhrgas of West Germany.

JORDAN and Egypt have agreed a \$250m trade deal for 1988 after a visit to Amman by an Egyptian delegation led by Dr Atef Sidki, the Prime Minister. Page 3

UNITED STATES has warned that a controversial European Commission proposal for the legal extension of the EC's common external tariff to cover military as well as civil imports could weaken Nato.

NORWAY should cut industry subsidies by 40 per cent, overhaul its tax regime, and allow memployment to grow, to restore balance to its economy a report says. Page 4

## **US** Government to sell insolvent First RepublicBank

By Anatole Kaletsky in New York

THE US Government has THE US Government has agreed to sell the insolvent First RepublicBank of Dallas to NCNB Corporation of North Carolina in a transaction which will wipe out the interests of First RepublicBank shareholders and cost the government-guaranteed Federal Deposit Insurance Corporation about \$4bn.

about \$4bn.
The deal, announced in Dallas over the weekend, is likely to prove the biggest bank bail-out in US history.

The magnitude of the rescue

had been widely expected since the FDIC took control in March of the Dallas-based bank, which is the biggest in Texas with \$33bn in assets.

However, there was interest in Dallas and on Wall Street in

the precise mechanism the FDIC would use to clear up the mess, as well as in the identity of the private-sector partner the Government would choose. In addition to NCNB, an institution with \$29bn assets originally called North Carolina National Bank, at least three other groups offered to take over a cleaned up First RepublicBank. The other known bidders were Citicorp, Wells Fargo and First Repub-

In all cases the bidders required substantial FDIC con-tributions and the agency said it would pick the deal which minimised the call on its \$18bn insurance fund.

Under the outline agreement announced on Saturday, NCNB will establish a corporation, to be called NCNB Texas National Bank, which will take over all the assets and liabilities of First RepublicBank's 40 operat-

ing subsidiaries.

The new corporation will be capitalised with \$210m-\$240m of NCNB's money plus a con-tribution of \$840m-\$960m from the FDIC.

NCNB will receive 20 per cent of the equity but 100 per cent of the voting control in the new bank, while the FDIC will accept non-voting common stock equal to 80 per cent of the equity. NCNB will have a five-year option to buy out the FDIC stake for 107 per cent of book value. The key point in the agree-

ment, however, is that the FDIC will assume all the risks of losses from First Republic-Bank's non-performing loans. In fact, once the new bank is established if will be split into two operations. The problem loans will be written down to

market value and put into a separate pool.

The FDIC will have to spend a further \$1bn-\$1.1bn im ately to allow these loans to be written down and might have

to inject a further \$1bn into the problem pool before all of its assets are liquidated. With the fibn the FDIC has already invested in First RepublicBank since its rescue, these further contributions could raise its spending to

about \$4bn.
In addition to cost, a number of other factors loomed large in the FDIC's negotiations with potential partners. The first was to ensure that any private rescuer was strong enough to solve First RepublicBank's

problems permanently.

A second and partly contradictory political pressure on the FDIC was to come up with a "Texas" solution.

This seems to have been met through the peripheral involve-ment of Mr H. Ross Perot, a Dallas electronics billionaire. Mr Perot has given a guarantee to the FDIC that he will be willing to buy the \$180m issue of preferred stock which NCNB will sell to finance its contribution to the rescue. Lex, Page 18

### Genscher talks calm Soviet, European fears

By John Lloyd in Moscow

FRARS roused by Soviet Mr Gorbachev proposed during disarmament proposals and the internal market reforms of the an all-European summit be European Community appear to have been calmed after meetings in Moscow over the weekend between Mr Hans-Dieter Genscher, the West German Foreign Minister, Mr Mikhail Gorbachev, the Soviet leader, and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

Mr Genscher said in Moscow yesterday that Mr Gorbachev and Mr Shevardnadze had and Mr Shevardauze had repeatedly stressed in separate meetings that they had no wish to split the West European and North American mbers of the North Atlantic Treaty Organisation.
Fears on this score had been

expressed by US officials after

called to address the issue of conventional forces. The call reflected Soviet impatience over the progress of the Vienna talks on conventional arms.

Mr Genscher said: I think it

that the Soviet Union would not have an interest in driving wedge between western Europe and its allies. "In the European house' it is very important, in such a densely populated continent,

that there is room for peaceful competition but no room for a policy of confrontation." He was convinced, he said,

that the Soviet Union was working seriously for a fundamental and irreversible improvement in East-West relations. He believed his talks' had made possible further progress in Vienna. On Soviet fears of being excluded from the EC, Mr Genscher said he had told his

hosts that, on the contrary, the development of a more interated market ' very attractive focus for East West trade relations." The reported warmth of the

talks between Mr Gorbachev and Mr Genscher may have been assisted by the operation of glasnost in the placing of furniture. A small oval table has replaced the long, formal conference table previously used in the foreign visitors Continued on Page 18 Moscow takes first step

to credit card society, Page 18

### Tehran promises to end attacks on shipping

By Andrew Gowers, in London, Middle East Editor

A SENIOR Iranian envoy yesterday said his country would ceese attacks on shipping in the Gulf and pledged to keep the peace process alive despite continued fighting on the Iran-Iran border.

Mr Ali Ahmed Besharati, tranian deputy foreign minis-

iranian deputy foreign minis-ter, said in the United Arab ter, said in the United Arab Emirates during a tour of the Arab Guif states: "We will try to do our best not to violate anything . . . so that resolu-tion 598 will become a reali-ty."He asked Kuwait to end US protection of its tankers and said he expected the US to end soon its naval escorts of tank-

ers through the Gulf. The Iranian news agency. IRNA, received in Nicosia, said franian troops and tribesmen threw back fragi forces with heavy losses when they crossed the central front border overnight to attack an area near Mehran on Sunday. A separate report on Tehran Radio said Iranian forces had entered Qasr-e Shirin, a cen-tral front town from which Iraq said it withdrew on Saturday. The town is only a few kilometers from the border and by the two sides' accounts, has changed hands several times recently. It was one of several occupied by Iraqi forces in an offensive launched nine days ago to secure a

nine days ago to secure a strong bargaining position.

Mr Beasharati also declared that Iran was ready to use its influence for the release of forcign hostages held in Lebanon.

"So far no Western country has negotiated the hostage issue with us. If they did so, we arrowing for use all our we promise to use all our influence to release them," he

In an interview on US television yesterday, Mr George Shultz, the US Secretary of State, hinted that Iran had responded indirectly to the US suggestion that the two coun-tries should start restoring diplomatic relations. He said he would be prepared to meet Iran's Foreign Minister but indicated that the initiative for any such meeting would have to come from the Iranian

end that United Nations efforts to arrange a ceasefire in the Gulf war were running into an impasse, with Iraq still refus-ing to engage in substantive negotiations with the UN Secretary General until Iran agrees to face-to-face talks Continued on Page 18

### Jordan yields to PLO on West Bank

By Tony Walker in Amman

KING HUSSEIN of Jordan, in an historic shift of policy on the West Bank, has relinquished direct responsibility for the territory to the Pales-tine Liberation Organisation as the "sole, legitimate represen-tative" of the Palestinian peo-

The King's action followed a series of careful steps taken by Jordan recently aimed at improving relations with the PLO befors an imminent visit to Amman by Mr Yassir Ara-fat, the PLO chairman, who is expected to arrive in Jordan

expected to arrive in Jordan early this week.

The steps included the dissolution at the weekend of Parliament. The PLO has long objected to Jordan's Parliament, which includes equal numbers of representatives from the East and West Banks of the River Jordan, on the of the River Jordan, on the ground that it was a symbolic device that sought to perpetuate, at the expense of the Pales-tinians, Jordan's sovereignty

over the West Bank. The King's decision to relinquish all claims to the West Bank poses a dilemma for the US and Israel, which had sought to use Jordan as the interlocutor in dealing with the Palestinians and the PLO. Both the Israelis and the US had demanded that the King engage in direct negotiations on the future of the West Bank seized by Israel from Jordan in

the 1967 war.

Mr George Shultz, the US Secretary of State, said yesterday in Washington that Jordan's decision reflected the fact that Palestinians on the West Bank had asserted their right to speak on their own behalf. He rejected suggestions that the Jordanian move would put pressure on the US to open direct talks with the PLO, saying there has been no change in the US position that Washington would not talk with the PLO until it changed its stance PLO until it changed its stance towards Israel.

In a televised address last night, the King effectively-abrogated Jordan's long-standing claim to negotiate the future of the Israeli-occupied West Bank on behalf of the res-King Hussein unequivocally conceded to Palestinian

demands for an independent state in the West Bank which was administered by Jordan until 1967.

its own influence in the occu-"We respect the wish of the pied territories.

# PLO, the sole legitimate representative of the Palestinian Jordan-Egypt trade, Page 3 The No.1 choice.

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### Japan routes S African metal imports through US, Europe

By Stefan Wagstyl in Tokyo

JAPAN is routing imports of South African gold and plati-num worth hundreds of milions of dollars through Europe and the US to reduce its big trade deficit with South Africa. This follows worldwide criti-cism of Japan for allowing trade with South Africa to

grow while other industrialised countries have imposed sanctions in protest at apartheid.

Japan's rise to become South Africa's largest trading partner in 1987 led to pressure on industry from the Tokyo government for a reduction in trade. Japan's importers, how-ever, have continued to buy South African gold and platinum to meet soaring demand. However, instead of buying

supplies direct, the importers

are buying more through New York, London and other trad-

ing centres where gold, for example, can easily be bought from bullion banks. Johnson

Matthey, the British company

which markets metal from Rustenburg, the largest South African mine, has extensive operations in platinum in the UK and North America.

In the first half of this ye gold imports from South Africa plunged from 6 per cent of the total in 1987 to 2.4 per cent, Japanese customs statistics

reduction in trade, the change is particularly striking. From a monthly average last year of 1.29 tonnes, imports soared in April 1988 to 2.77 tonnes - presumably as trading compar rushed orders through - but the May figure was zero. In June the total was 0.48T tonnes, one third of last year's monthly average.

Since March, when the Tokyo Government urged a

In platinum, imports from South Africa plunged from 51.8 per cent of the total in 1987 to 27.6 per cent. Imports from the

UK rose 9.1 percentage points to 23 per cent, while the pro-portion of platinum coming from the US nearly doubled to 13 per cent.

An official at one of the big trading houses which dominate Japan's commodity trade said South African metal was being routed through the UK and US. The value of these imports

depends on price and exchange rates. But on average levels for the half-year, Japan's gold imports of 142 tonnes were worth about \$2.1bn and its 37.6 tonnes of platinum \$630m. Imports of precious metals

directly from South Africa' therefore totalled about \$220m over the six months - or about 20 per cent of all imports from South Africa. If the proportion of precious metals imports from South Africa had remained at last year's levels, the direct figure could have been about \$450m higher.

nts How Amstrad got the pick of

#### CONTENTS

#### **MONDAY PAGE INTERVIEW**



Silvio Berlusconi. owner of the world's fourth biggest private television network, is having the time of his life. Europe's "Mr Television" speaks to Alan Friedman with considerable pride in his achievements. Page 34

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Asian manufacturers

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demic chairman .

#### **OVERSEAS NEWS**

### **Moscow decrees Communist** Party democracy programme

AN unprecedented programme of renewing, democratising and slimming down the Soviet Communist Party has been decreed in resolutions pub-lished over the weekend, after a meeting of the party's ruling central committee.

At the same time, further details of the speech made to the central committee by Mr Mikhail Gorbachev, the party's general secretary, show how central to his hopes of more and better quality production is the concept of leasing – turning over land, shops, machinery and buildings to co-operatives of workers so that they can produce, at a profit, for the market.

The latter part of the general secretary's speech was studded with references to the leasing system - with explicit acknowledgement that the land or machinery leased would be in the lessee's use for up to 50 years, more than most

ing that the means of produc-tion "belonged to nobody" and ensured "a genuine economic independence and responsibility of personnel, work collectives and a direct link between the earnings of people and the end results of their work".

The three resolutions adopted by the central commit-tee - on implementing the decisions of the 19th party congress last month, on elections in the party and on restructuring the party apparatus - are imbued with the familiar Gorbachev impatience with the

They call on party members to use the forthcoming elections to the various levels in the party in the last third of this year to put pressure on, or get rid of, officials who have not proved themselves in the

The resolution on elections confirms Mr Gorbachev's stated preference for limiting working lifetimes.

Leasing, he said, preserved the basic concept of state ownership, but overcame the feelapply to all, no matter how long they have served. The resolution on party restructuring calls for the party to withdraw from admin-istration by the end of the year, recognising that "the overall number of personnel be substantially reduced".

The resolution on elections, endorsing establishment of the new congress of people's depu-ties to be elected next April, proposes for its preliminary agenda draft legislation on the rights of trade unions, govern-ing bodies of public organisa-

ing bodies or public organisa-tions and the press.

It says full-scale reform of the judiciary must be largely completed by the middle of next year, and approves mea-sures to increase the output of consumer goods and expand

the services sector.

Mr Gorbachev told the central committee that the manufacture of consumer goods could increase by Roubles 24m (122m) over the plan target in 1989/90, while the services sec-tor was expected to grow by up to 20 per cent over plan.

> coherently integrated into the international economy. The report deals principally with four Asian NICs (Hong Kong, Korea, Taiwan and Singapore) and two Latin American (Mexico and Brazil), with the emphasis on Korea and

Taiwan. The economic output of these six NICs together grew at an average annual rate of 8.4 per cent between 1964 and 1973, slowing to 5.3 per cent between 1973 and 1983. This compares with 4.1 per cent and 2.1 per cent respectively for all developed market economies. The Asian NICs out-performed the

ising the comparative advan-tage available, particularly

through cheap and plentiful labour, in what have become

known as the Newly Industria-

lised Nations.

Today some of those same
NICs, especially Taiwan and
South Korea, are becoming so
economically powerful in their
own right that the advanced
economies face a new challenge: where and how to comnets with them. And as the

pete with them. And as the NICs move towards higher

value added manufactures and face increased demands for

higher wages a new wave of countries is following in their

earlier footsteps: Indonesia,

Malaysia, Thailand (rapidly) and, increasingly, China. A new analysis\* by the Par-is-based Organisation for Eco-nomic Co-operation and Devel-

opment concludes that both

the NICs and the industrialised states need substantial eco-

nomic adjustment if the newly successful states are to be

lised Nations.

OTHING succeeds like success. Twenty years ago the world's major advanced economies improved their relative strengths by utilizing their relative strengths by utilizing the comparative relative strengths. Latin American ones. The NICs increased their share of total market economies' GDP from 3.5 per cent in 1964 to 6.2 per cent in 1983, compared with a decline from 72.1 per cent to 68.7 per cent for the nine OECD members, with the UK

losing to the greatest extent.

The industrial dynamic manifested by the NICs has generally taken the path, first, of

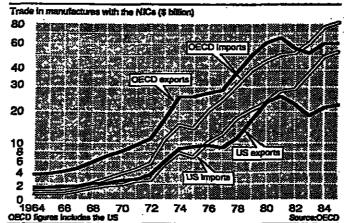
the result of a double emphasis the result of a double emphasis on exports: on the one hand the NiCs chose development strategies based on the development of exports; on the other hand multinationals from the US and later Europe and Japan, whose business was largely export-oriented, set up subsidiaries in the NiCs.

"Thus to a substantial

Advanced economies face fresh challenge

"Thus to a substantial degree the NIC challenge has

OECD & US



import substitution, behind protective barriers, followed by more outward-looking, exportoriented strategies when the limits and distortions of import susbstitution—for example under-utilisation of installed capacity and of local labour force and penalisation of exports by artificially high exchange rates - made them-selves felt. This was most obvious in the Asian NICs with their limited domestic markets. The increased participation

of the NICs in export markets for manufactured products was

of both parties, by the industri-alised countries themselves," says the report. Although the comparative

been shaped, to the advantage

advantage of the NICs was ini-tially their low wage costs, the report points out that foreign investment in such countries was also encouraged by some OECD countries through spe-cific tariff regimes which favoured re-exports of low valus-added products to the country of origin of the inputs.
"The US has been the most. sophisticated in implementing

such a regime," it says.

The rising concern about the rising competition from the NICs in the 1970s was partly economic situation in OECD states after the first oil shock. The expansion of imports of manufactures from the NICs compounded the difficulties related to the deterioration of trade balances, the slowdown of growth and the rise of unemplement.

ployment.
The challenge posed by the NICs was a reflection not only of their industrial dynamism but also reflected the difficul-ties of industrial adjustment in advanced countries at a time of slow growth.

The reports says there are three ways the OECD states can respond to this new chal-lenge from the NICs like Korea and Taiwan. The first two are unstable: deepen existing defensive strategies including protectionist measures such as raising tariff barriers and quotas; strengthen industrialised countries' comparative advan-tage based on an extensive and rapid application of new tech-nologies to recapture a compet-

ifive edge.

A third path, leading to improved patterns of interdependence and a better balance. between co-operation and com-petition: as wage differentials increase between NICs and less developed countries the latter should capture a higher share of world markets in those sec-tors where labour costs still play a significant role in com-petitiveness. Trade within the southern region would increase giving more diversi-fied outlets to the NICs.

These in turn could put more tries; temphasis on the growth of the cal, 75 domestic market. More bal-

A new wave is following the newly-industrialised nations, Robin Pauley reports anced trade flows between OECD countries and the NiCs would result from such a reorisation of the growth process in the NiCs and from a strengthening of the competitive edge of advanced countries due to more efficient development and use of technology.

The rapid development of industry and industrial exports by the NiCs is not, however, the most important adjustment problem facing OECD states.

The great bulk of trade by OECD countries in manufactured goods is within the

tured goods is within the OECD area - 84 per cent of imports ans 73 per cent of exports in 1985 - and the substantial imbalances in trade performance between member countries (notably the US and

Japan) give rise to far greater adjustment problems than do NiC-related pressures.

Nevertheless, says the report, NiC developments have important adjustment implies. important adjustment implica-tions for specific sectors of industry and these have come to encompass increasingly sophisticated activities.

The thrust of the report's conclusion assumes that the engagement in successively more complex and sophisti-cated industrial activity helps nurture and industrial and technological environment which, in turn, favours further upgrading. The mature NICs industrialised nations and therefore more directly competitive with them while "new NiCs" emerge in their wake.

\*The Newly Industrialising Countries, Challenge and Opportunity for OECD indus-tries; OECD, 2 Rue Andre-Pascal, 75775 Paris CEDEX 16, 211

### Peruvian police detain alleged Abu Nidal committee member

By Barbara Durr in Lima

PERUVIAN police at the weekend said they were hold-ing a man believed to be a central committee member of Abu Nidal, a breakaway faction of the Palestinian Liberation Organisation. He was identified as Mr Hocine Bouzidi, a 36-year-old Algerian.

If police allegations are proved, this marks the first time that Middle East terrorist Police allege Mr Bouzidi and two Arab students, who have also been detained, were gathering information for possible

terrorist attacks in Peru. Police confiscated documents from the three men which contained lists of auto registration numbers of Israeli, British, Belgian and Colombian diplomats, rough sketches of the Israeli Embassy, the US Consulate, and Lima's largest synagogue. Some of the papers required heat or chemical treatment to

The Abu Nidal group have ism under Peruvian laws.

been responsible for more than 25 attacks around the world since 1976.

These include the hijacking of an Egypt Air jet in 1985 - in which 59 people were killed when the plane was stormed by Egyptian commandoes in Malta – and an attack on the check-in desks of El Al, the Israeli airline, at Rome and Athens airports in which 14 people were killed and 120

injured. Mr Bouzidi arrived in Peru 45 days ago. The two students have been in the country since January and are studying

Police suggested there could be a link between the Palestinians and the Peruvian guerril-las of Sendero Luminoso (Shining Path). But so far, they said, they had found no evidence of such a connection.

The three men had not committed a terrorist act and so cannot be charged with terror-

Peru can only expel them from the country for visa viola-

President Alan Garcia, however, suggested he was consult-ing on extraditions. At the weekend there was a political uproar over the possi-bility that paramilitary death squads have begun to operate

in Peru. Last Thursday, the body of Mr Manuel Febres, the attorney defending Mr Osman Morote, Sendero Luminoso der, was found riddled with

A previously-unknown group called the Democratic Commando Rodrigo Franco claimed responsibility.
It is suspected that Com-

mando may be a paramilitary group of the ruling party, American Popular Revolutionary Alliance (APRA). Mr Rodrigo Franço was an Apra leader reportedly assassinated by the guerrillas last

### 'EC unready for threat to car output'

By Kevin Done, Motor Industry Correspondent

THE European Community lacks a common external trade policy to deal with future threats to EC car production from Japan, South Korea, and the US or for the related issue of setting local content requirements for EC-based

assembly plants.
This is the key issue posed by the planned EC reforms aimed at creating a single market by 1992, according to a highly critical report from DRI Europe, the automotive indus-

try analysts. The European Commission's own analysis of the gains to be made from a single market, the Cecchini Report, does not

even mention the external trade dimension, says DRL Six EC member states currently limit Japanese car imports, "using anything from stern warnings to formal and legal import quotas", says the DRI study. All those restrictions must

disappear from a post-1992

European Community, but will probably be replaced by a cap on Japanese sales in the EC.

DRI claims, however, that many EC industries are concerned that the removal of the very obstacles that have made them uncompetitive, before they have had time to restructure, will make them even less

capable of competing with non-EC manufacturers. Much of the restructuring of motioe industry promised Old Queen by the Cecchini report will 9HP \$3,000

occur without the creation of a occur without the creation of a single market, says DRL The catalyst for this change was global, not European.

Equally, DRI sees little change of EC car makers being able to rationalise their product ranges and enjoy economies of scale as a result of the 1992 reforms.

1992 reforms.
Unification of the EC market
by 1992, the impact on the automotive industry DRI Europe, 30
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FINANCIAL TIMES

Published by the Financial Times (Europe) Lad., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Dimotors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London, Printer: Frankfurter Societaeus-Drueckers-GonbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Brackes Home, Canson Street, London BCAP 4BY. 6 The Financial Times Ltd., 1982.

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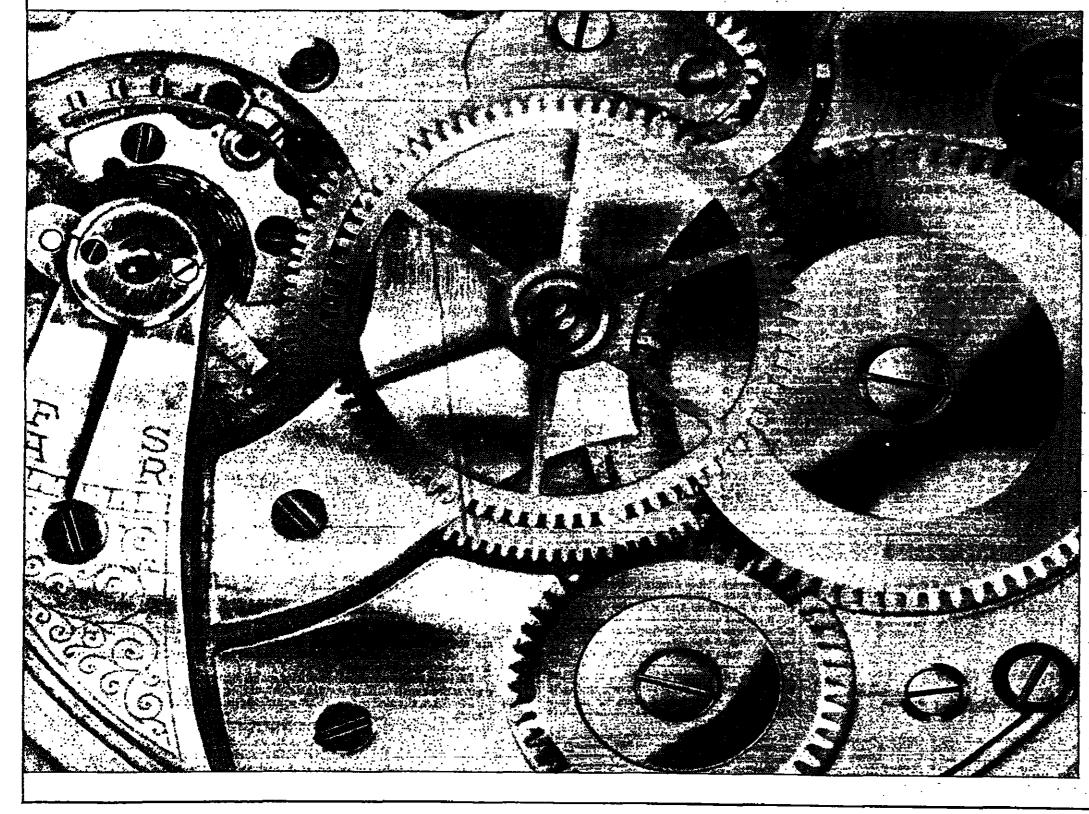
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FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates \$365.00 per assetum. Second-class postage and at New York NY and at additional mulling offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

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#### **OVERSEAS NEWS**

#### Afghan rebel leader criticises attacks

By Christina Lamb in Pashawar

THE leader of one of the seven Afghan resistance parties has strongly criticised attacks on

departing Soviet troops.

Prof Rabbani, leader of the fundamentalist Jamiat Islami party has appealed to guerrilla forces to let the Soviets go peaceably if they do not first bomb villages. He believes that if the Mujahideen rebels continue to fire on departing troops the Soviets might delay withdrawal.

There has been a sharp increase in the number of rockets fired into the capital by the guerrillas. British nationals have been advised to leave because of what the Foreign Office describe as "a deteriorat ing security situation".

PLO man rearrested Israeli security services yester-day arrested Mr Paisal Husseini, a champion of the Palestime Liberation Organisation in East Jerusalem, writes Eric Silver in Jerusalem. Mr Husseini, who was released in June after nine months in prison without trial, was placed under administrative

detention for six more months.

Police said he had resumed his "subversive hostile activities" immediately after his

Tunis pluralism call President Zine El Abidine Ben All called for political pluralism when he addressed the first Congress of the ruling Rassemblement Constitutional Democratique party to take place since the enforced retirement of Tunisla's first head of state, Mr Habib Bourguiba,

writes Francis Ghilès. "Pluralism is no longer a mere possibility; it has become a necessity," the country's ruler stressed.

#### Twelve die in SA

Police shot and killed a black man in a township and three men were killed in fighting between rival gangs, taking to 12 the weekend toll in racial and political violence in South Africa, Reuter reports from

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TH - ATAS

21-year-old Mary-Ann Serrano government creditors, said the from nearby Boksburg.

### HK man to stay on Mr Piers Jacobs, Hong Kong Financial Secretary, said he would stay on despite mount-ing rumours that he would be replaced, the government-owned Radio Television Hong Kong (RTHK) reported, Reuter reports from Hong Kong.

reports from Hong Kong.
Speculation that he would resign emerged after the October stock crash as he was criticised for permitting a four-day suspension of the Hong Kong

#### Laos seeks funds

Laos has enacted a new law to attract foreign investment, attract foreign investment, hoping the move will bring technology to help develop its poor economy, the national Lao news agency KPL said. Reuter reports from Bangkok. KPL said the Lao Peoples Supred a \$2.article law in uro.

ed a 32-article law to protect foreign investment from government nationalisation.

## Experts tackle the riddle of the Sphinx

Tony Walker reports on efforts to halt the decay of an ancient monument

her a 250 kg chunk of limestone fell earlier this year from the Sphinx, carved from a rock 50m years old, the dull and sickening thud reverberated throughout the archaeological world, bringing experts rushing to the mystical monu-ment's side and ending the career of Egypt's top antiquities official

Now, after several months of study, a panel of local and international scholars has decided on emergency measures to save the fractured Sphinx whose inscrutable presence has dominated the approaches to the great Pyramid of Giza for almost 5,000

After being taken for granted for most of its life, the curious 240-foot long creature with the god-like face of a Pha-raoh and the body of a lion is being pampered in the hope that disturbing signs of mortal-ity can be reversed. For the Sphinx is in danger of crumbling away, a victim of climatic change, noise pollution and

encroaching settlement. Dr Zahi Hawass, Egypt's chief archaeologist at the Pyramids, said urgent studies were under way to decide on the best means of repairing and preserving the Sphinx.

The great architects and builders of the pharaonic era never dreamed that the desert wilderness they chose for the Sphinx and the Pyramids would be invaded by millions of tourists in buses beiching diesel fumes. Clumsy restoration efforts

and the lack of a systematic

approach to reconstruction have also taken their toll. "You have to do it in a scientific way," he said, "otherwise the work can be destructive." Use of cement between 1981 and 1987 corroded the soft limestone body of the Sphinx, leaving it pock-marked and weakened. Scientists were looking at the possibility of covering the Sphinx's torso with a limestone case which would preserve the structure

without harming it. Dr Omar el Irimy, a scientist

on the panel called in to minis-ter to the Sphinz, said one of the mysteries of the ancient monument was why those responsible for its construction chose an inferior limestone from which to fashion its awesome visage and body.

Dr Irimy said a much supe rior limestone, used to build the Pyramids, was available from nearby quarries in the Mokattam hills overlooking what is now Cairo.

The Egyptian chemist, who is perhaps his country's most knowledgeable figure on the effects of climatic change and environmental pollution on ancient monuments, said the splitting of a 250 kg chunk of rock from the Sphinx was the most serious injury the crea-ture had suffered thus far, apart from the loss of its nose.

There are no clues as to how the 4,600-year-old Sphinx came to be defaced. One theory. which tends to be discounted by archaeologists, is that Napo-leon's legions used it for target

practice in the early nine-

Shultz: Latin America visit

Some geologists believe the Sphinx's greatest enemy is an increase in humidity caused by the construction of the Aswan High Dam in upper Egypt. Another serious threat is a rise in the water table.

Pollutants from human settlement in the area - as the city of Cairo has gradually spread out to envelop the ancient monuments - have also found their way into the under-ground water and been absorbed into the Sphinx's body, corroding it from the

tee would adopt a two-pronged approach to the frightening prospect of a disintegrating Sphinx. One was to study the humidity level in the area and in the body of the Sphinx itself, and at the same time seek to suppress the water table. The other task was to reduce

Dr Hawass said his commit-

the noise level in the area by restricting traffic. "We have a major plan to change the Giza plateau (on which the Sphinx and Pyramids are located) from a (human) 200 to an open

By Tim Coone in Managua

Hawass declared. This means that hawkers

and camel drivers would be kept away from the Sphinx and the base of the Pyramids. Visitors would be taken to special car parks near the plateau and ferried to the historic monu-Experts are also worried

about the effects of mass tourism on the Great Pyramid of Cheops. They believe people should be banned from entering the monument because their presence contributes to increasing humidity levels

"These monuments were built for certain functions in an isolated area. Now we are changing these functions," said Dr el Irimy. "If we keep changing the environment we'll have more troubles and some of the problems will be extremly difficult to solve."

Dr Hawass said measures to save the Sphinx should be sufficient, "but if we stop for any reason in our preservation efforts, it will be in danger."



### Brazil clinches deal with Paris Club

By George Graham in Paris

BRAZIL took another step towards the completion of its heavy debt-rescheduling pro-gramme at the weekend by reaching agreement with the Paris Club, representing gov-ernment creditors, on the repayment of \$5bn of official

The agreement, reached in the early hours of Saturday morning, will postpone Brazil-ian interest and principal pay-ments falling due over the next 20 months and spread them out over 10 years. After the approval last Tues-day by the International Mone-

tary Fund in Washington of Brazil's economic programme, the Paris Club agreement opens the way to final agreement on the rescheduling of \$62bn of commercial loans, coupled with a request for \$5.2bn of new money, which is now being negotiated with a committee of banks chaired by Citicorp of the US.

Mr Sergio Amaral, secretary for international affairs at the Brazilian Finance Ministry and In Johannesburg, police Brazilian Finance Ministry and identified a woman killed in a head of his country's delegation bomb explosion on Saturday as tion at the Paris talks with

had obtained at the Paris Club, and provided "a breath of fresh air to allow Brazil to put its economic adjustment pro-

Payments of principal falling due between January 1987 and August 1988 are to be rescheduled over 10 years, with a fiveyear grace period starting in August 1988. Payments of both interest and principal from then until March 1990 will also he rescheduled over 10 years. but with a grace period only

until April 1, 1990. Mr Amaral said Brazil would "not pay a penny of interest or principal until March 31, 1990" on the loans covered by the agreement - a total of

The agreement is also expected to reopen Brazil's access to official export credit cover, which makes up a large part of the debts included in the Paris Club negotiations. The US Export-Import Bank, the UK's Export Credits Guarantee Department and France's Coface had all indicated that they expected to renew their cover for Brazil once the Paris Club rescheduling was

### **Burma detains reporter** and leading dissident

BURMA'S most prominent dissident, retired Brigadier Aung Gyl, several of his associ-ates, and Sein Win, a reporter for The Associated Press news agency have been detained in Rameoon: diplomats said at the Rangoon, diplomats said at the weekend. Reuter reports from

Hong Kong.
One diplomat in Rangoon said he believed 11 or more of Aimg Gyl's associates had been datained.

A former colleague of Bur-mese leader U Ne Win, who stepped down last Monday, Brig Aung Gyi this year emerged as the leadership's

most prominent critic.

Open letters from him warning of "imminent catastrophe" ing of "imminent catastrophe" unless reforms were intro-duced were circulated earlier this year during discontent over falling living standards that led to clashes between police and protesters.

The detentions occurred four

days after the election of har-dliner Sein Lwin to the

supreme post of socialist party leader and head of state. Brig Aung Gyi, 70, helped U Ne Win seize power in 1962 but was purged a year later. He was condemned by delegates at a recent emergency congress of the ruling Burma Socialist Pro-gramme Party.

The reporter, Sein Win, 66, was jailed for his journalism in the last years of the democratically-elected government of U Nu, and in the first year under the rule of Ne Win. In 1963 he was awarded the Golden Pen of Freedom by the International Federation of Journalists.

### Jordan and Egypt in trade agreement

By Tony Walker in Amman

JORDAN and Egypt have agreed on a \$250m trade deal for 1988 after a visit to Amman by an Egyptian dele-gation led by Dr Atef Sidki,

Barter will account for about half the goods to be traded under the agreement, which was negotiated over two days of talks.

Jordan would supply mostly cement in exchange for Egyptian aluminium, rice, cotton

and textiles. Barter trade is

expected to amount to some \$110m in 1988. World prices will be used to calculate the value of items exchanged. The trade agreement also provides for the establishment of trade centres in Cairo and Amman to help promote com-

Jordan and Egypt have in the past several years sought to forge closer trade links. This followed Jordan's

said the two countries aimed se two-way trade to \$350m in 1989. Trade is now running at about \$100m.

The Egyptian and Jordanian elegations also reviewed joint ventures in tourism, fishing and canning, and livestock

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### Shultz tour to put pressure on Sandinistas

THE US Secretary of State, Mr George Shultz, is to begin a 10-day tour of Latin America today with the apparent aim of sounding out support for

renewed pressure upon the Sandinista Government in-

Nicaragua. Mr Shultz starts his tour in Guatemala, where he is to meet foreign ministers of the Central American countries which signed the Esquipulas II peace plan a year ago, with the exception of Nicaragua, which has not been invited.

The recent crackdown by the Nicaraguan Government on its internal opposition, and US proposals to renew military aid

to the Nicaraguan Contras based in Honduras, are expected to be central themes of the Guatemala meeting.
Differences between the min-

isters make it uncertain whether a joint statement will result from the meeting, however, as the Guatemalan Government has made it clear that' it will not join any move aimed at further isolating Nicaragua. Costa Rica is also firmly opposed to the renewal of military aid to the Nicaraguan reb-

Mr Shultz's task to rally support for a last-ditch offensive against the Sandinistas before the Reagan administration comes to an end has been made more difficult by the recent election of hard-line. leaders to the directorate of the

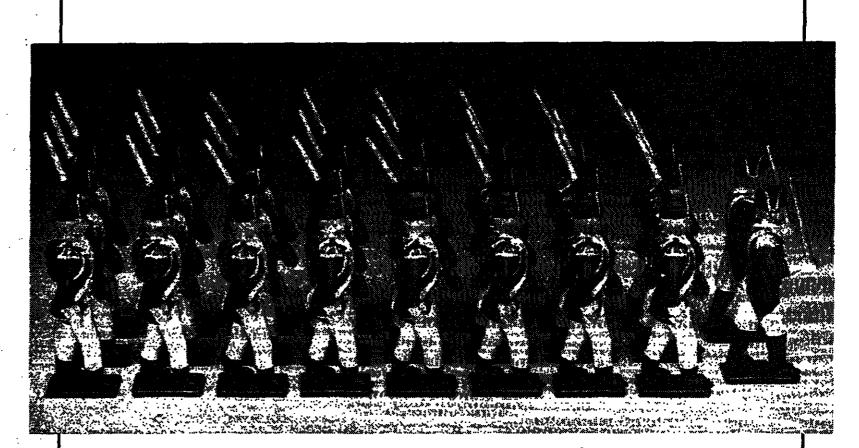
Mr Shultz will then continue his tour to the Southern Cone of the continent, with stops in Argentina, Uruguay, Brazil and Bolivia before returning to 'Central America

The Mexican Government, which has not been included in Mr Shultz's itinerary, issued a statement at the weekend rejecting "any foreign inter-vention and the use of coercion and force" which might undermine the Esquipulas agree

#### Chinese reverse prices promise

IN SPITE OF official promises of no more price rises this year, Chinese consumers are braced for a new round of increases in the cost of basic commodities, as China faces its worst inflation since 1949, writes Peter Ellingsen in Peking.

According to the People's Daily, 10 household items will go up because of production shortages. Food prices are predicted to rise later this year after a decision in April to lift price controls on staples such as sugar, meat and vegetables. Both moves directly contradict a government undertaking last week promising no more



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ARMONISATION of the procedures for licensing and purchasing products in Western Europe's \$30bn (£17.9bn) a year pharmaceuticals industry aids up to one of the thorniest problems for European Commission officials in the run-up to 1992.

The difficulties, which are similar to those facing other sectors in the broad thrust to reduce European trade barri-

reduce European trade barriers, involve the need to impose order on the disparate ways in which member governments regulate drugs licensing and

pricing.
In the case of the drugs industry, however, the shape of the post-1992 regulatory regime will have more than usual significance. Drng makers are subject to extremely strict registration requirements, admin-istered by public bodies, to ensure that their products work as advertised and are

The degree to which the licensing rules that emerge in the 1990s differ from existing procedures will therefore be crucial to the sector's fortunes.

A second factor is that in Europe customers for pharma-ceuticals are almost exclusively state-owned health services, whose policies on pricing and standards have a direct influence on the industry's

An added challenge for Europe's policy-makers is that the continent's pharmaceutical sector is a genuinely international business with an excel-lent record in terms of sales growth and exports. It contains several of the world's biggest drugs concerns, including Hoechst and Bayer of West Germany and Britain's Glaxo and Imperial Chemical Indus-

A true integration of the reg-ulatory and pricing procedures for drugs could provide, in theory at least, a springboard from which the industry could

EUROPEAN MARKET

expand further. There is some scepticism in the industry, however, about the pace at which the various harmonisation measures will proceed. Few observers believe that all the intended changes will be

ready by 1992.
Dr Gert Rinneberg, director for licensing at Hoechst's pharmaceutical division, says: "There are so many obstacles to be overcome that I doubt if we will see the complete milliwe will see the complete unification of the market take place all at once."

Others see some drawbacks to the integration procedures. Too many moves towards creating common policies in the different countries could have a dampening effect on innovation, believes Dr Theo-dore Cooper, chairman of Upjohn, a big US drugs company which makes a strong sales effort in Europe.

According to Dr Cooper, a lack of uniformity in the rules and approaches of individual countries can stimulate creativity among researchers and marketing people by causing them to focus on the cultural differences between nations in the effort to increase sales. Even though an air of cau-tion prevails, many in the industry are eager to capitalise on whatever benefits the single market of 1992 is likely to bring. "I'm convinced 1992 is for real," says Mr Bob Bauman, chairman of Beecham, the UK drugs company. "It's going to

One cloud on the horizon which the 1992-associated mea-

sures may help to dissipate is the time it takes for licensing bodies to authorise new medications for sale. Not counting the should be permitted for assuming the new body variations on existing products, between 30 and 50 of these products appear on the European market each year.

Licensing authorities in individual countries commonly take up to two years on this job while they check in detail that the medication is safe and effective. Although few in the industry complain about the general principle of such safe-guards, health-care company representatives point out that the delays are sometimes added to by poor administra-tion and inefficiency on the part of the regulatory organisa-

The licensing delays, which come on top of the eight to 10 years it frequently takes to develop a new pharmacentical, reduce the effective time of patent protection for drug companies' products and add to

A new pan-European licensing regime, some in the indus-try argue, could provide a golden opportunity to streamine drug-approval procedures.
Under one proposal being canvassed, the European Community could set up a centralised licensing authority to deal with all new formulations. Another idea is to introduce a system of mutual recognition

EC PHAMACEUTICAL

Germany

**Portugal** 

Spain

Assuming the new body could be made to work, it would be an advance from the industry's point of view. Before introducing new products into Many observers believe that mutual recognition would be unworkable. Different coun-tries would, it is thought, be the European market, compa-nies would have to deal with reluctant to cede to other nations responsibility for test-ing and regulating new medi-cations. This is partly because different countries have differjust one licensing body, instead of several. This could save both time and money. Under such a centralised ent approaches on drugs licen-sing. Another factor is the scheme, the existing national licensing bodies could continue immense political repercus-sions which can follow an unsafe drug entering a particuto vet variations on existing products. In this area, which is less politically sensitive than

lar country.

The more promising way to proceed, according to this argument, would be for a new pan-European authority to take charge of decisions on the effi-cacy of new products. There are several caveats, however, one being that the new organi-sation would have to be led by first-rate people and have a large amount of political back-ing. Without this kind of thrust, the chances of the new

thrust, the chances of the new body cutting its way through the obstacles to imposing its authority would be slim. Another necessity is that, for the various national interests to be represented, there would have to be a complex commit-tee structure linking the indi-

2 011		ments to the new Unless this was
L C	ONSUMPTIC	N IN 1984
	s per on (Ecu)	Average price*
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102		154 76
125		164
45 46		73 115
46 78		115 57
46		145
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Generally, however, this policy is not followed. This is both

medications, buying from nations where the products are

less politically sensitive than the area of approvals for new drugs, there could be some modest degree of collaboration by different nations in agreeing to respect each other's decision-making procedures.

The European Commission hopes to obtain by September views from the health-care industry and other interested groups on how a post-1992 lic-

groups on how a post-1992 licensing system could operate.

This should be followed by

concrete proposals by the com-mission by the end of 1989 and

a start to introducing the sys-tem in the two years after that. The subject of drug pricing

and purchasing is no less tricky than licensing. Under

existing procedures, different

countries set drug prices using

rules covering manufacturing standards and because o sgreements frequently in place between governments and pharmaceutical companies that state bodies should buy their medications from local produc-

Under the commission's thinking, such barriers to trade in pharmaceuticals should eventually fade away, as a result of factors such as harmonisation of production stan-dards and more of a pan-Euro-

pean purchasing approach by member governments.

At the same time as reduc-ing the trade barriers, the Commission is trying over the commission is trying over the next few years to ensure that different countries have unified pricing policies for drugs. This should lead to a narrowing of the differentials in drug prices, although by no mesms to common pricing levels.

As part of this process, individual health authorities would still have a contain

would still have a certain amount of freedom to set their own prices, so long as they stayed within overall guide-lines. Freeing of the trade in medications would also have the effect of bringing prices over the whole continent more into line.

One possibility of these moves is that companies might decide that their current strategy of spreading production and development sites around Europe no longer made sense. There would thus be greater concentration, with individual companies in a specific country far more likely to sell their wares around the whole of Europe than at present.

Wares about the whole of Europe than at present. Although Britain and West Germany, which have tradi-tionally strong drug industries, would appear to be the most likely to benefit from such moves, it is still too early to forecast with any certainty who the winners and losers of such an approach would be.

### US warns EC over plan for tariff on arms imports

By David Buchen in Brussels

Commission and to EC member states, many of whom have serious reservations about the Commission plan themselves.

EC governments are expected in September to consider the Commission proposal that they should agree to the formal extension of the CET to cover all military imports, but that at the same time they draw up an agreed list of tariff-exempt items, such as military aircraft, tanks, and armaments.

Thus, the Commission plan might not in practice make it

might not in practice make it my harder for the US to sell weapons to its European allies. Weapons to its European attest.

However, at a time when it is demanding Europe shoulder more of the Nato defence burden, Washington is sensitive to anything smacking of protections.

In addition, it argues that In addition, it argues that levying the Community CET on military items would effectively transfer money from Europe's defeace ministries to the EC budget.

For the past 30 years, most EC member states have viewed the larger exemptions for

the legal exemptions for defence written into the Treaty of Rome as letting them import military hardware duty-free. The Commission is, however, now arguing that the treaty only exempts the defence sec-tor from EC rules such as those requiring competition, not from the CET.

It claims the Community budget, based partly on cus-toms duties, is losing out from many member states' failure to impose the tariff on military impose the tarm on minary imports which would range from 3.5 per cent to (in a few cases) 12 per cent, but it is equally suggesting a wide range of duty exemptions.

The Commission wants to

resolve this argument as a means of settling a number of legal suits brought against half a dozen EC member states in

the early 1980s. As an example, the Commis-

THE US has warned that a controversial European Gommission proposal for the legal extension of the EC's common external tariff (CET) to cover military as well as civil imports could weaken Nato.

The US warning was conveyed in recent weeks to the Commission and to EC member states, many of whom have serious reservations about the Commission plan themselves.

EC governments are expected in September to consider

relative newness in the Com-munity. Ireland (the only non-Nato EC member) imports vir-tually no military againment from outside the Community.

West Germany has not attracted Commission ire, because it applies a flat 3 per cent import duty on military imports, a portion of which if pays into the EC budget. France alone has, according to Commission officials, always levied the CET on its military

imports.
Indeed, it is French pressure
which has spurred on the Commission to act, according to some officials here. With a defence industry only matched in size inside the EC by that of Britain and being a relatively small importer of US weapoury, France is said to be interested in creating a European "preference zone" in defence.

However the Commission's

However, the Commission 1985 action plan for the EC internal market also explicitly included defence, and Commis-sion president Mr Jacques Delors would like to embark on this in the new term starting

If the same Community-wide deregulation, already affecting the civil economy, is to be applied to the highly-frag-mented European defence industry, it is argued by some here that the defence sector should first be granted the same degree of external protec-tion which the CET already extends to European civil

industry.

The military tariff move could thus be "the thin end of a hig wedge", says one Brussels official. It would facilitate an historic extension of Community commence to cover munity competence to cover Europe's defence industry, if

### **Boost for information** technology R&D funding

By David Buchan

THE European Commission is stepping up its funding for information technology research and development, to match the increased interest by EC companies are research and design better proposals than in by EC companies, research institutes and universities in

Some 158 collaborative proiects have now been selected for contract negotiation and inclusion in the second (1988-92) phase of Esprit (the European Strategic Programme for Research and Development in Information Technology), the Commission announced yesterday. Last April EC governments doubled the financial ceiling for Esprit to Ecu 3.2bn over the next five years, half of it to come from participating companies and institutes.

the first phase of Esprit, the Commission was itself accelerthe latest phase of the Esprit ating spending on Esprit. It would now commit Ecu 780m to fund half the total Ecu 1.56m value of the 158 projects

under consideration. The largest single new Esprit roject will involve Siemens, Philips, the merged Franco-italian company ST-Thomson, Plessey, and AEG working on bi-polar high-speed integrated circuits, and cost Ecu 90m over

three years.
Application of Esprit money will also allow museums in the UK, France and West Germany ompanies and institutes.

Mr Jean-Marie Cadiou, the of works of art.

### Norway urged to reduce industry subsidies 40%

By Karen Fossii in Oslo

NORWAY should cut industry subsidies by 40 per cent, over-haul its tax regime, and allow unemployment to grow, to restore balance to its economy, according to a report issued at

In March, the Government introduced a 5 per cent wage freeze and set a goal of keeping inflation at 5 per cent by the end of the work. the end of the year. Mr Berge said the report confirmed some of the benefits of economic reform introduced

already, but he rejected the

call for increased unemploy-

Norway's jobless rate is between 1.5 and 2 per cent. The report suggested unemployment should be allowed to reach 3 per cent. Export earnings from petro-

the weekend.

The report, by 12 Norwegian economic experts and presented to Mr Gunnar Berge, Finance Minister, urges sweepented to Mr Gunnar Berge, Finance Minister, urges sweep-ing economic reforms stronger barrel for the rest of the year. I than those carried out this Than those carried out this are surrent account deficit, which is NKT244n or 4 per cent of gross domestic product, exceeds that of any

other OECD country.

The report warned that economic policies over the next two years were crucial to restoring balance to the economy. If fiscal policy were not tightened, Norway could find itself in a Latin American debt trap".

### Hyundai 'hostage in anti-Korea moves'

By Kevin Brown, Transport Correspondent

HYUNDAI Merchant Marine, the South Korean shipping line, has told European Community governments it believes it is being used as a "hostage" by the European Commission in an attempt to force changes in Korean law.

The accusation is made in a the applicable regulation, and to the transport ministers of amunical."

the 12 member states in an attempt to stave off financial penalties about to be imposed on the company.

The Commission ruled this

month that Hyundai had breached EC anti-dumping reg-ulations by unfairly undercutting established freight ratesting established freight races-between Europe and Australia.

The ruling, which followed a complaint by eight EC ship-ping lines, is the first exten-sion of Community anti-dump-

ing legislation to shipping. The Commission is expected to publish a draft regulation shortly which will set a "norm" for freight rates on the Australia routes, and impose a redressive duty on Hyundai, probably around 25 per cent.

Hyundai has said it will appeal against the regulation to the European Court. It is

also believed to be considering legal action for an interim injunction against the imposi-However, the Commission's

tion of duties before an appeal is heard. regulation must first be approved by the Council of

The company claims its service has not harmed EC shipowners, and accuses the com-panies which tabled the original complaint of misusing their own dominant market position to exclude competi-

However, the company's central objection is to the Commis-sion's finding that Hyundai could have benefited from the existence of the Korean Government's commercial sponsor-

ship system. Hyundal points out that the Commission did not investi-gate whether the company actually had benefited, and accuses it of using the case "as a medium to attack the Korean

a medium to attack the Korean Government [and] to induce it to change the legislation."
It adds: "Challenging the legislation of a country is a matter of political consideration, to be made the subject of bilateral negotiations between the respective governments. It is respective governments. It is totally inappropriate and wrong to try to achieve this aim by taking HMM as a hos-

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For the three months 29th July, 1988 to 31st October. 1988 the Debentures will bear an interest rate of 10.975% per annum and the coupon amount per £10,000 denomination will be £281.87.

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#### SHIPPING REPORT

### Tanker rates shrug off Iran-Iraq peace moves

MOVES towards peace between Iran and Iraq have had little impact on the Middle East tanker market, brokers said last week.

Galbraith's, the London bro-kers, said it was still too early lar basis. to assess the implications for rates of the tentative peace talks being organised by the

Few charterers were active

trip to the Philippines, a 345,000-ton vessel on the basis of Worldscale 34 for the US Gulf or Worldscale 35 for other Western destinations, and a ship of 305,000 tons on a simi-The same charterer also cov-

ered a 260,000-ton cargo from Ceyhan, Turkey, to the US Gulf at an undisclosed rate, believed to be about World-

rew Charterers were active in the Gulf, and one US principal seeking very large and ultra-large crude carriers was said to have received nine offers from owners.

This company eventually fixed a 245,000-ton deadweight vessel at Worldscale 44 for a believed to be about Worldscale 45. In the dry cargo markets, brokers said rates had moved only fractionally over the previous week. Modest Chinese activity was reported but considered a 245,000-ton deadweight up in some northern ports.

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July 1988

This announcement appears as a matter of record only.

SCOTIA

For one thing he hasn't got time.

He flew from Gatwick this morning with the other 97 members of London's leading symphony orchestra, on the first leg of their journey to the Salzburg Festival.

The main reason for not buying one, of course, is that Mr Creese already owns an 'F' reg car.

A 1968 Volvo 121.

"I have driven some 200,000 miles in the car

between rehearsal rooms, recording studios and concert halls," he wrote in his letter to us.

"Much of the driving is in London's heavy traffic. Sometimes schedules can be hair-raising to say the least. If I am playing in a concert I cannot

be late so a reliable car is an absolute necessity.

I am sure you receive many testimonials to your excellent cars and I am delighted to add to their number."

Thank you Mr Creese.

We look forward to hearing from you again in her 20 years. another 20 years.

The following conferences are among those being arranged by the Financial Times this Autumn.

Commercial Aviation to the **End of the Century** - Expansion in an Era of Accelerating Change

30, 31 August & 1 September - London Capital Markets Workshops 12-14 September, 17-19 October,

7-9 November, 7-9 December - London The FT City Seminar 19, 20 & 21 September - London

FT-City Course 10 October to 28 November - London

**Electronic Financial Services** 

into the 90s 20 & 21 October - London

The Sixth Professional **Personal Computer Conference** 31 October & 1 November - London

> World Electricity 14 & 15 November - London

**Europe 1992 and Beyond:** Strategies for European Business 21 & 22 November - London

**European Business Forum** 5 & 6 December – Rome

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### confidence in economic trends

By Peter Riddell, Political Editor

THE BRITISH public has lutely vital. And that action become gloomier about the economic outlook in the last couple of months, after the recent series of interest rate

According to a Mori survey in yesterday's Sunday Times newspaper, some 33 per cent of those questioned think the state of the economy will become worse over the next year, while 28 per cent believe it will improve. This is the first negative finding since Febru-ary last year, with a marked change in mood reflected in both the June and July polls.
Increased Government cau-

tion about inflation prospects was reflected in the comment over the weekend by Mrs Margaret Thatcher, the Prime Min-ister, that it would take time to bring down the rate of increase of retail prices.
In an interview with Austra-

lian journalists, made public over the weekend, Mrs Thatcher acknowledged that Britain's fast growth had presented problems. "Those problems are showing in a slight rise in inflation but we have acted town culcible he putting acted very quickly by putting up interest rates quite sharply to bring the inflation down. "It will take a little time, but it will bring inflation down again because that is abso-

will also have an effect on the current balance of payments." Mori interviewed 1,900 adults between July 21 and 25, before the latest Treasury warnings about the inflation prospects and ahead of the announce ment of the £1bn current account deficit for June.

optimism/pessimism on the economy have in the past closely correlated with voting intentions. Greater concern about the economy and an unfavourable view of the Budget – particularly the reduc-tion in higher rates of income tax – may explain why the opposition Labour Party has narrowed the Conservatives' lead in the opinion polls as Parliament begins its two-and-a-half-month summer recess.

Movements in the balance of

The Mori survey gives the Tories 46 per cent support (down two points on the previous month), Labour 41 per cent (up three points), the Social and Liberal Democrats 8 per cent (up one point) and the Social Democratic Party 4 per

cent (down one point).

After allowing for the usual variations in poil samples, the results are similar to those in other recent national surveys. Kinnock rating falls, Page 7

#### **UK NEWS**

### Poll shows lower Overseas construction orders rise

THE VALUE of overseas contracts won by British construction companies rose by 40 per cent last year to reach their highest level since 1964/85, according to the Department of Trade and Indiantry. Overseas orders rose by more than £700m last year to \$2.45bn compared with \$1.74bn in 1986. The figures suggest the recent decline in overseas work won by British companies might have started to reverse, according to the DTL The statistics are published

in British Business, the Department's weekly magazine which monitors the performance of British industries.

Nearly all the increases in construction orders came from the US, Europe and Australia. The value of contracts placed in the Middle East, Africa and parts of Asia, the big growth

markets for construction com-

nstruction orders won by UK groups (Em at ourrent prices) 118 21 209 140 51 148 85 11 37 Reet of Europe Middle East Asia Middle East Africa 709 109 82 Hong Kong Reet of Asia Rest of Africa 141 140 145 203 209 185 301 653 990 183 190 637 1,491 1,743 2,460

panies in the late 1970s, has continued to fall. The Department's figures include contracts won by for-eign subsidiaries of British companies. These would not normally show up in balance of

trade statistics.
A study earlier this year by
the stockbrokers Morgan Grenfell Securities showed that Britain's 15 largest contractors

earned just over a fifth of their turnover in the US, mostly from acquisitions. Just under a fifth of the turnover of the top-15 building materials compa-

nies was also attributable to

The trend is for the devel-oped economies of North America and Europe, which have been expanding, to account for an increasing

US sales.

share of worldwide construc-tion orders, while that of the developing nations has fallen. The Middle East last year accounted for just over 5 per cent of all overseas construc-tion orders won by British-owned companies. Four years ago the region was British's ago the region was binding biggest overseas construction market, accounting for 31 per cent of all overseas orders won in 1983/84.

in 1983/84.

By comparison, orders won in the Americas, mostly the US, rose by more than 50 per cent last year to just less than £1hn. Some of the biggest gains occurred in Australia, with orders won by British companies in Oceania rising by almost £450m last year to £637m.

Orders won by British companies in other EC countries rose from £113m in 1986 to

### Littlewoods enters bidding for Girobank

By Ian Hamilton Fazey, Northern Correspondent

THE LITTLEWOODS Organisation, the largest pri-vate company in Britain, has made a bid for Girobank, the Post Office retail banking subsidiary which the Government put up for sale in June.

The company is best known mail order catalogue business and football pools, but it is expanding fast in financial services through its Credit and Data Marketing Services sub-sidiary, which produces charge cards for retailers outside the Littlewoods group.

Many of Littlewoods' cus-

tomers are believed to have Girobank accounts. The com-pany also has strong links with the Post Office through its mail order business, which makes up 0.5 per cent of the Post Office's volume. mend to the Government which bidder should get the bank. One of the conditions of the sale is that its close rela-tionship with the Post Office is maintained. Girobank uses Post Office counters as its retail outlets.

The Post Office will recom-

Counting against the bid, however, is Littlewoods' pri-vate status. It is likely that the Bank of England would feel

happier if Girobank's owner was a public company. But Lit-tlewoods is understood to feel that going public would be too high a price to pay if that were a condition of the purchase. More than 100 institutions

have registered a formal interest in bidding for the bank, including some from abroad. A shortlist of four or five will be selected at a Post Office Board meeting on September 16.

### Preparing to cash in on the latest royal birth

Maggie Urry looks at the commercial side of the Duchess of York's confinement

he Staffordshire potters are waiting for the word. Cow & Gate, the baby food makers, are ready for the rush. But 800 Woolworth store managers have had their instructions can-

It is not only the the Duchess of York who is expectant. When the royal baby arrives, and Buckingham Palace insists it is due in the second week of August, thousands of loyal subjects will swing into action. At Cow & Gate, specially designed royal baby mobiles, worth about £10 each, are waiting to be sent to any baby born within an hour either side Fax: 01-925 2125

of THE baby. In the past Cow & Gate have given away baby food to mark royal births. This time, it was the Duchess's love of flying which prompted the mobile: an estimated 300 bemused babies will have the privilege of watching a crown, a plane, a palace, a cow and a gate dangling above their cots

Mothercare, the mother-and-baby retailer, has nothing spe-cial planned for the birth of the royal infant, but has intro-duced a design based on the Grand Old Duke of York nursery rhyme for cot duvets, pillowcases, bumpers, and curtains. A duvet cover and

pillowcase set costs £10.99. In Stoke on Trent Mr Frank Martin, managing director of Coloroll's ceramics division, has 10,000 blank mugs waiting for the baby's name to be announced. "We have the art-work all ready to go. As soon as we know the baby's name we can rush them out within

24 hours," he says. Coloroll sold 20,000 mugs for the birth of each of the Princess of Wales's two boys. Sales depend greatly on the popular-ity of the parents. Although this baby will be only fifth in line to the throne, and so inherently less interesting to the populace, Mr Martin thinks

the Duchess's outgoing personality and popularity could stir up enough media interest to sell as many this time.

For collectors of commemo-rative china, a baby fifth in line to the throne is not a good bet in investment terms. The Prince and Princess of Wales's first chile, Prince William, is virtually certain of ascending the throne, barring accidents, an unfortunate marriage or an outbreak of republicanism. And Prince Harry is a good outside bet given the number of second sons who have worn the British crown. Any more children produced by the Prince and Princess of Wales

will push Baby York even further down the queue.

The rush of royal babies is matched by the steady rise in

the UK birth rate since 1982. indeed, so many babies are due at around the same time as the Duchess's that Woolworth has decided to drop its planned promotion.
The idea had been for each of Woolworth's 800 store managers to find a local baby of the

same sex, born the same day as

المراج أنهوا ميواد اليارا

the royal baby, and present the mother with a layette, comprising a complete baby kit, in front of the local press.

The possibility of making more mums jealous than it

pleased, as managers exercised a Solomon-like judgment in picking the best candidate, per-suaded Woolworth not to try. The Duchess of York will still receive a Woolworth layette, retail price £35.53. One wonders if she will personally use the enclosed nappy sacks "they're what you put dis-

posable nappies in afterwards," explains Woolworth. According to Peaudouce, a disposable nappy maker, the royal baby will get through 2,000 napples in its first year. And if its parents pick the name Peaudouce found most popular, we can expect either James or Laura.

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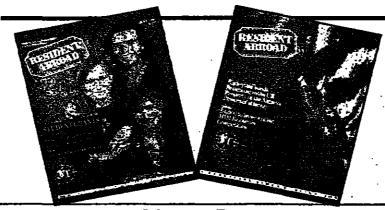
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AUGUSTIN

should prepare a prospectus or marketing information bro-chure, according to Camifa, the Campaign for Independent Financial Advice, representing 13 leading life offices. The prospectus or brochure would set out details of costs,

investment performance and financial strength for the com-pany as a whole on a standar dised basis. However, full disclosure of the expenses of individual life assurance policies was imprac-tical, Camifa said.

its arguments are contained in a submission to the Securities and Investments Board, which last May requested views on a report on disclosure of life assurance charges and expenses by accountants Peat Marwick McLintock.

Whereas the accountants had suggested that disclosure of the total costs associated with a single policy was practi-cable, and should be made available to clients or their advisers if they requested it, Camifa says that the difficul-ties would be such that the

Merger sets

up regional

polytechnic

A NEW regional polytechnic

covering the City of London and East Anglia is being formed by the merger of three

colleges, the most dramatic

example yet of a wave of amalgamations in higher education.

the City of London Polytech-

has yet to be named, will have about 600 academic staff and cater for more than 30,000 stu-

dents a year, many part-time,

equivalent to more than 10,000

full-time students. The first students fully affected by the merger will be those entering in 1989.

The polytechnic will seek shout 250m in government and private funds to build extra facilities in Chelmsford and

The colleges to merge are

By David Thomas

any benefit to consumers. Camifa repeats its earlier warnings about the impact of disclosure of commissions by independent financial advisers. This will become mandatory from the beginning of 1990, when the existing commissions agreement administered by

Lautro, the Life Assurance and

Unit Trust Regulatory Organi-sation, is terminated, but Cam-ifa says that the proposal should be reassessed. It claims that disclosure of the commission in isolation from charges and expenses as a whole "would severely disadvantage the IFA sector and would be grossly anti-competi-

Mr Peter Glover, the newly-approinted chief executive of Camifa, said: "Any one unit of information is meaningless to the consumer unless he is given a total context to look

The Camira offices are alarmed at the prospect that company salesmen and tied representatives, who do not act as apents of their clients, will

costs would be far in excess of not need to make a comparable disclosure of their commissions and other remuneration.
In any case, they point out,
such an equivalent disclosure would require details of all parts of the remuneration

package of salesmen. Camifa questions both the practicality and validity of such disclosure. Accordingly, it proposes an alternative form of disclosure which would operate at the level of each company as a whole, rather than for individual policies. The disclosure would apply equally to all forms of channel of distribu-

tion, so avoiding bias.

The client, or his adviser if he had one, would be given the life office's prospectus, prepared according to a format to be laid down by the Securities and Investments Board. This document would include mea-sures of the financial strength of the life company, indications of the charges levied against policies, and figures for the total expenses incurred, both in absolute terms and as a percentage of overall assets.

mance would also be indicated for a selection of specimen policies which had matured in the recent past. This would indi-cate the net investment yield to policy holders.

According to Mr Glover, the suggestion of a prospectus is put forward as "a starting-point for a constructive

If the Camifa proposal were to be accepted consumers would not, after all, be given information about commissions individually. However, it is claimed that the prospec-tuses would provide informa-tion which could be collected by advisers and by the media, allowing them to give general advice about the relative effi-ciency and performance of the various life offices.

It is understood that the SIB will put forward its own views in about three months' time. Camifa urges that no final decisions should be taken until there has been time for full discussion of the implications of the ending of the Lautro

### Boost for school-leaver scheme

Past investment perfor-

By David Thomas, Education Correspondent

THE GOVERNMENT is likely to expand its funding for a new type of partnership between business and schools, which guarantees jobs to school-leavers in deprived inner-city

areas.

The Department of Employment is considering how to expand the programme, known as compacts, because of the high level of interest which has been shown in almost all nic, in Moorgate, the Essex Institute of Higher Education, in Chelmsford, and the Cam-bridgeshire College of Arts and Technology, in Cambridge.

The new polytechnic, which UK regions.

Interest in the scheme is all the more surprising because the first UK compact, modelled on an idea pioneered in the US, was launched in the Kast End of London only last year. Under the scheme, employ-

ers agree to give priority in recruitment to school-leavers who reach agreed standards of achievement and commitment

Evidence has already

emerged that the East London compact has helped to cut tru-ancy, encourage children to prolong their education, and deepen school-industry under-standing through work experi-

ence programmes.

In March, Mr Norman
Fowler, Employment Secretary, announced pump-priming finance for a new round of compacts to start in 1989. The intention was to give prospective compacts with good potential £50,000 in development money, and then to settle on 15 new compacts, which would get up to £100,000 a year for four years.

More than 40 applications were received from urban areas throughout the country for these funds. The applica-tions were submitted jointly by education authorities and local employers, usually through umbrella organisations, such

as chambers of commerce. The response was particularly interesting because it included large numbers of Con-servative-controlled and Labour-controlled areas. This implies that the political resis-tance which has clouded other government school-industry mitiatives in the inner cities, such as City Technology Col-leges, does not apply to com-

which met recently to sift the applications concluded there were considerably more than 15 applications of good quality. Mr Fowler has since been considering how an expanded compact programme could be fitted into the existing budget. One possibility, for instance, is for him to use some of the money earmarked for marketing the idea to fund a larger

An advisory committee

### Universities increase research earnings

BRITISH universities earned £630m from research contracts and other services in 1986-87 -

Grant income from the Exchequer increased by £55m. representing a fall for the fourth year running.
Income from fees rose by 9

per cent to £330m with almost

There was a 9 per cent rise in the number of full-time aca-demic staff paid wholly from sources outside university gen-

mental bodies - such as those, in industry, charity and commerce - grew by £65m, while

had more to spend and indus-trialists had greater confidence

to invest more in manufactur-

ing and service industries. She added that Britain's cur-

rent account deficit was a

problem created by the coun-

try's fast growth and the "unusually high" investment

in industry this year. The deficit "is in no way due to our handling of the public sector because we still in fact have a

#### Cambridge. Professor Roderick Floud, The proportion of universities income received in this form was 55 per cent — £1,370m an increase of almost £100m on the new Provost of the City Polytechnic, said the building programme would cater for the eral funds.

the previous year, according to figures published today by the University Grants Committee. large number of student places which will be transferred out of London and the growth in Universities' operating income — excluding cash for equipment and furniture demand that de-expected in-

Income from non-governwe thirds of the cash coming that from research councils

### PM seeks to reassure non-EC nations

By Peter Riddell, Political Editor

MRS Margaret Thatcher yesterday sought to offer reas-surance about the implications of the creation of the single European market in 1992 for countries outside the commu-

In an interview she said:
"The whole point of the EC is not to put up boundaries between the community and the outside world. Just because

countries outside the community need fear 1992. "On the contrary it gives us a chance to

MR NEIL KINNOCK'S personal rating as Labour leader has deteriorated sharply during the

summer, according to a survey.

A Mori survey in yesterday's

Sunday Times shows that 57 per cent of those questioned were dissatisfied with Mr Kin-

nock's performance, his worst rating since before the last

By Peter Riddell

expected to discuss the Kam-

On Saturday in Oman, Mrs Thatcher discussed with Sul-tan Qaboos the prospects for a ceasefire in the Gulf War

Mrs Thatcher made her

before her departure for her Middle East and Far East tour.

This included her personal support for women priests.

Discussing the outlook for the British economy, Mrs Thatcher said Britain's faster remarks during a wide-ranging interview recorded last Friday growth had meant that people

surplus in the public sector. That is to say we are redeem-ing debt and not incurring it. "So it is a deficit in the pri-vate sector and that deficit is being met by people who are willing, from the outside, to come and invest in Britain."

Owen calls for Tess selfish' attitude to EC By Our Political Editor

BRITAIN needs to become "more wholehearted and less selfish" about its membership of the European Community, Dr David Owen, the leader of the continuing Social Demo-cratic Party, urged yesterday. His statement of unequivocal support for closer European union was part of the launch of

an SDP White Paper on Europe to be discussed at its conference in mid-September. He accused Mrs Margaret Thatcher and Mr Neil Kinnock of having started "a depressing competition as to who could portray themselves and their parties as the least enthusias

antagonistic and semi-detached in their attitude to the Euro pean Community." Dr Owen argued that this attitude was out of tune with the thinking of a younger generation and a growing number of realists who wanted Britain to play its European hand with

tic, least committed, most

Welcoming the natural death of Euro-fanatacism over the last few years, Dr Owen said it was unfortunate that the evolving pattern of practical European unity, compromise and political pragmatism, had been "so overlaid with the rhetoric of a phoney national ism that at times our member ship looks fractious, self-cen-tred, and chauvinistic.

The paper discusses possible alignments of the SDP with Continental parties.

#### **Foundries** Littlewoods seeks a bank for fight plans its business catalogue to end levy Barry Riley on the latest Girobank permutations for research

HE NEWS that the Lit-tlewoods Organisation is a bidder for Girobank By Richard Tomkins, Midlands Correspondent underlines the changing

industry.

nature of the financial services

Several other retailing

groups also have important

financial operations and there

are, for instance, rumours that Marks and Spencer, which

already has a banking licence

to support its credit card busi-

ness, plans an expansion into other financial products.

In 1986 Littlewoods spun off its Credit and Data Marketing

Services operation, previously

part of the mail order division, as a separate subsidiary. One of its activities is the issue of

oli is activities in liste of plastic charge cards, both for Littlewoods' stores and for external clients ranging from Majestic Wine Warehouses and

Iceland Frozen Foods to

Littlewoods, with a retail turnover of about £1.5bn in mail order and chain stores,

and annual stake money of

some £0.5bn in the pools business, handles vast numbers of

individual payments. It is also

a leading customer of the Post Office, which will continue to

have a close business relation-

ship with Girobank after it is

Girobank is at present a Post Office subsidiary, and one con-dition of the sale is that the

services through 20,000 post offices should be maintained.

Price will not be the key factor

in the Post Office's recommen-

dation of a new owner to the Government, and it will be pla-

cing heavy emphasis on pro-posals for the development of

The bank was put up for sale in June and about 100 institu-tions are thought to have regis-

tered their interest, although

many of these are probably

the business.

Wickes DIY.

BRITAIN's iron foundry industry is resisting govern-ment proposals to scrap the compulsory levy which is imposed on nearly all iron founders to fund research into castings technology.

The proposals have not yet been made public but have been discussed privately between Department of Trade and Industry officials and members of the foundries industry. The outcome — unlikely to be favourable to

the levy's supporters - is expected to emerge this week.
The size of the statutory levy varies from one foundry to another according to pro-duction tourage and number of employees. It is collected by the DTI and passed on to BCIRA, the industry's research association.

research association.

The Government regards the charge as anomalous because it is the only statutory research levy still imposed on any British industry and the only one collected by the DTL Removing it would be in line with the Government's policy of deregulation. of deregulation.

Trade associations and unions within the foundry industry want the levy to stay because it is a funding arrangement that guarantees a minimum level of research. Its abolition, they say, could jeopardise BCIRA's future and would be to the industry's long-term detriment.

BCIRA - formerly the British Cast Iron Research Associish Cast from Research Associ-ation but now known only by its initials — is based in Red-ditch, Hereford & Worcester, where it employs about 100 people. It refused to comment on any aspects of the Govern-ment's proposals.



mond Pitcher: Restored Littlewoods fortunes

doing no more than seeking commercially valuable infor-mation about Girobank. The Board of the Post Office

will meet on September 16 to draw up a shortlist of four or five possible buyers and will make a final decision in November.

A price of up to £300m has been unofficially estimated but some of the more extravagant hopes will have to be reduced after last month's publication of disappointing results for Girobank. Pre-tax profits were less than 2 per cent higher at £23.5m and profits after tax

were significantly lower.
In selecting a new owner the Government will be anxious to ensure that competition in the banking sector is increased, and so bids from the big UK clearing banks are likely to be ruled out.

However, there is likely to be more positive attitude to offers from Scottish banks which want to expand in the English market and from smaller banks, such as the period in which co-op Bank, which may want mance slipped.

to improve their competitive position. Bids from foreign banks will also be sympatheti-

cally considered. An offer from a retail group such as Littlewoods would certainly carry the promise of broadening the degree of com-petition in the financial services industry, although the Bank of England would need to be satisfied that the privatelyowned Littlewoods had the financial strength to develop Girobank and stand behind it in all conceivable circum-

Littlewoods has spent the past few years pulling itself out of a bad patch. In 1980 pretax profits slumped from £41.7m to £11.5m and in 1982, at the age of 86, the founder. Sir John Moores, made way for non-family professional man-agement although he remains president. Since then, Mr John Clement, chairman, and Mr Desmond Pitcher, chief executive, have restored the group's fortunes. Pre-tax profits reached £80.2m in 1987.

Mr Pitcher has placed considerable emphasis at Littlewoods on the development of new technology in the retailing business. The catalogue mail order side is changing rapidly, largely because of the impact of new communications tech-

To a considerable extent. such technology is also relevant to the development of a retail financial services business. Girobank, in particular, has set out to become what it describes as a "telephone-and-mail" bank, rather than to build a network of traditional dedicated bank branches.

Certainly, Littlewoods' offer illustrates that it has regained its self-confidence after a period in which its perfor-

NOTICE OF REDEMPTION

To the Holders of

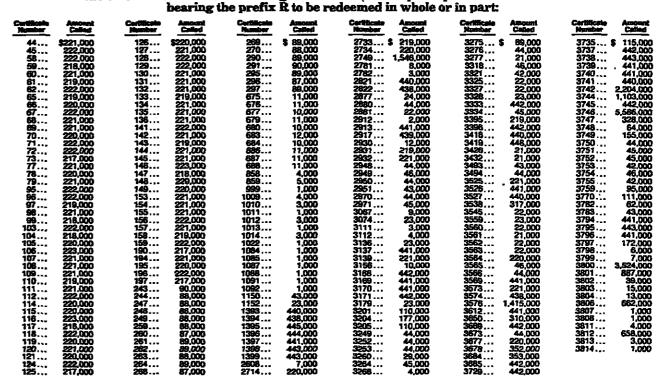
### A/S Eksportfinans

13%% Sinking Fund Debentures Due 1992 CUSIP No. 282645AA8\*

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of June 15, 1982, as supplemented (the "Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"), that \$60,000,000 principal amount of A/S Eksportfinans 13%% Sinking Fund Debentures Due 1992 (the "Debentures") has been selected by the Trustee for redemption on September 1, 1988 at a Redemption Price equal to 100% of the principal amount thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of the Indenture. The following are the serial numbers of the Debentures which will be redeemed in whole or in part:

> The certificate numbers of the Bearer Bonds in the principal amount of \$5,000 bearing the prefix C to be redeemed in whole:

The certificate numbers of the Registered Bonds in the principal amount of unlimited



Subject to the receipt of required funds by Bankers Trust Company, the Debentures or portions thereof so designated for redemption will become due and payable, at 100% of the principal amount thereof, upon presentation or surrender thereof, on or after September 1, 1988 at the office of Bankers Trust Company, Corporate Trust and Agency Group, Equity Finance Products Division, 123 Washington Street, First Floor, New York, New York. If by mail, the Debentures should be sent to Bankers Trust Company, Corporate Trust and Agency Group, Equity Finance Products Division, P.O. Box 2579, Church Street Station, New York, New York 10008 or in either such case to Bankers Trust Company. London, subject to any applicable laws or regulations in the country where the office is located.

On and after September 1, 1988 interest on the Debentures or portions thereof so designated for redemption will cease to accrue. Payment of the registered interest due September 1, 1988 will be made in the usual manner. Redeemed bearer Debentures should be presented with all coupons maturing after September 1, 1988. Coupons maturing on September 1, 1988 and prior thereto should be detached and surrendered in the usual manner. Upon presentation for redemption of Debentures which are to be redeemed in part only as above specified, a new Debenture of said 13%% Sinking Fund Debentures Due 1992, of a principal amount equal to the unredeemed portion of each such Debentures, will be issued in lieu thereof.

A/S Eksportfinans By: BANKERS TRUST COMPANY, as Administrative Agent of United States Trust Company of New York, the Trustee

Dated: August 1, 1988

#### IMPORTANT TAX INFORMATION Please read this notice carefully

Under Federal income tax law, paying agents may be required to withhold 20% of payments to holders presenting their securities for redemption or for payment at maturity if such holders have failed to furnish a taxpayer identification number to the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification number). Certification may be made to the Paying Agent on a Letter of Transmittal obtained from said Paying Agent, which should be completed and returned with the called securities.

This CUSIP number has been assigned to this issue by Standard and Poor's Corporation, and is included solely for the convenience of the Debentureholders. Neither A/S Eksportfinans nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the Debentures or as indicated in any redemption notice.

#### we are freeing them up within gives exporting nations outside Australia, the US — the chance to sell to a single mardoes not mean we are putting up boundaries round the out-Mrs Thatcher did not believe

ket, so your chances are also increased."

south-east Asia and Australia, reports Roger Matthews from Singapore. The leaders were

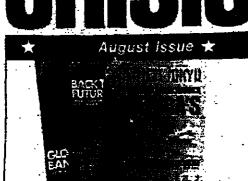
MRS THATCHER held talks yesterday; with Mr Lee Kuan Yew; the Singapore Prime Minister, on the third stop of her trip to the Middle East, on the third stop of her trip to the Middle East, on the third stop of her trip to the Middle East, on the stop of Apartralla.

between Iran and Iraq.

Kinnock's rating 'lowest since election' general election. Among backed his policy review. Labour supporters, 41 per cent it showed that 70 per cent Labour supporters, 11 per cent were dissatisfied. This underlines Mr Kin-

wanted a shift from unilateral-ism to a form of multilateral nock's task this autumn in abolition of nuclear weapons. On whether a Labour government should scrap nuclear Mr. Kinnock drew comfort weapons only if other counfrom a survey of party mem-bers in Merseyside which yes, 28 per cent said no.

LESSONS OF THE BOEING-JAL AFFAIR U.S. WORKERS ANGER AMERICA'S BIGGEST SINGLE CUSTOMER Since the crash of a Japanese Jumbo jet three years ago, Japan Air Lines is worried about Beeing's ability



Editorial Office: KEIZAIKAI BUILDING 2-13-18 Minami Aoyama, Minato-ku, Tokyo 107 Japan

to control the quality of its planes.

#### **UK NEWS**

### **Austin Rover** sells fuel systems arm for £3.5m

By Richard Tomkins, Midlands Correspondent

the tin Rover for the K-series f the engine to be used in the new-fuel ly-developed R8 range of cars ROVER, car-making subsidiary of the Rover Group, has sold its fuel systems division to the privately-owned Hobourn Group of Rochester, Kent, for £3.5m in

The division employs 350 people in the Birmingham sub-urb of Erdington. It is still widely known by its previous name of SU Carburettors under which it manufactured one of the most famous carburettors in the world.

In recent years Austin Rover dropped the SU name as the product range widened to include modern electronic fuel-injection systems, fuel

pumps and oil pumps. However, Hobourn – itself a motor components maker plans to revive the SU name. The division will become Hobourn SU with Mr Tony Locke, eneral manager under Austin Rover, as managing director.

About 75 per cent of the fuel systems company's output goes to Austin Rover and Land Rover, with the rest going to companies outside the Rover Group such as Unipart, Volvo and Lotus. Pre-tax profits in 1987 were £1.2m on turnover of

A long-term agreement has also been signed for Hobourn of the state-owned car maker to supply fuel systems to Ausbritish Aerospace.

**British cars** to Japan 'will treble' By lan Rodger in Tokyo

Sales of

AUSTIN ROVER Japan (ARJ), the sales subsidiary in Japan of Austin Rover of the UK, is forecasting that its car sales in Japan could reach 30,000 units to be launched next year.

Mr Jim Ormand, Hobourn's managing director, said £3m would be invested to bring

in the early 1990s, more than treble the current level.
Mr Peter Woods, ABJ president, said on Friday that this optimism was based on the recent removal of Japanese trade barriers to imported cars and the growing willingness of Japanese consumers to con-sider imported products. ARJ, which is also the Japa-

nese representative of Peugeot, the French manufac-turer, has taken advantage of rapid changes in the Japanese

Mr Woods said ARJ's vehicle Mr Woods said ARJ's vehicle registrations in Japan rose from 2,278 units in 1985 to 7,268 last year. The forecast for the current year was 9,000. The Austin Mind, which has been updated to comply with Japanese emission standards, stands out in these figures, selling 4,507 units last year and 2,878 in the first half of this year.

this year. ARJ's dealer network has grown from 58 outlets in 1985 to 95 at the end of last year, and the proportion of exclusive dealers jumped from 7 per cent to 49 per cent. The com-pany is now the fourth largest

importer in Japan. Mr Woods said: "ARJ has succeeded in three years in raising its position from a minor to a relatively major league player. We believe volumes in the 20,000 to 30,000 level are now realisable in the

early 1990s."
More than three quarters of its present sales are of Austin Rover products, and the group expects that proportion to remain roughly the same for the next few years, even though Pengeot is now setting up a second distribution network in Japan.

He pointed out that even though imported car sales are growing rapidly in Japan, they

growing rapidly in Japan, they still take only 3 per cent of the market, if Minis are excluded. Moreover, the emphasis so far has been on luxury cars, mainly Mercedes and BMW models. However, with the

revaluation of the yen and the recent removal of tax and other barriers against imports, the way was open for volume cars to compete in the Japanese market.

He forecast that imports as a whole would grow at a rate of 20 per cent to 40 per cent over the next five to 10 years, tion to about 500,000 units a year compared with this year's expected 115,000 units. He said there was still a gap between the cost competitiveness of European and Japanese mak-ers of volume cars, but was confident it would close.

> Volkswagenwerk, West Germany's largest vehicle maker, is studying the forma-tion of a joint sales venture with its Japanese distributor,

### Protected lock industry forced to change Richard Tomkins reports on a traditional craft facing growing foreign competition

try town of Willenhall, West Midlands, is a remarkable place. A relic of another age, it is a rare surviving example of a community still dominated by a single craft in this case, lockmaking. Nearly every famous name in Britain's lock industry — Vale Chubb Union Legge. Yale, Chubb, Union, Legge, and ERA — has its home within a mile or two of the clock tower in Willenhall's Market Place. So, too, do 40 or 50 smaller lockmakers, many of them working as they have

for a century or more from tiny backyard workshops. Yet if Willenhall's lock industry looks stuck in a time warp, the image deceives. In fact, the industry is being dra-matically restructured by a bout of takeover activity which has seen nearly every large lockmaker in the town – and, indeed, in Britain - change

The latest example came last month when Legge, the biggest remaining independent, yielded to overtures from New-man Tonks, the architectural man Tonks, the architectural ironmongery manufacturer. Meanwhile, Mr Michael Montague's Yale and Valor group—which itself acquired the Yale locks business from First City Industries of the US only a more control of t year ago - is at the centre of intense bid speculation.

The most surprising aspect of this restructuring is not so much that it is happening, but that it has taken so long to come. However, several factors have conspired to cocoon the

industry from change.

One of the most significant has been the strongly individual characteristics of different countries' locks. Most British houses, for example, are pro-

RECENT CHANGES OF OWNERSHIP IN UK LOCK INDUSTRY Oct 1984 Jul 1985 Chubb" Racal Electronics J. E. Reynolds Century Locks
Yale Security Prods.
Ingersoil Locks
Gibbons Yale and Valor J, Legge

tected by the Yale-type cylinder rim-lock, while Americans prefer the key-in-the-doorknob variety used by hotels. These differences have insularised national markets from overseas competition.

The industry has also been paralysed by an absence of technological advance. There has been no significant development in the science of lock-making since Linus Yale of the US patented his pin tumbler device in 1844, and even this was simply a rediscovery of a mechanism invented by the Egyptians some 3,500 years ear-

A third factor militating against change has been the complacency induced by a strong market. While other industries were being tested to the point of destruction by the recession of the early 1980s, lockmakers in Britain experienced sharply rising sales in response to an upsurge in reported crime — especially

This last factor, however, has paradoxically been one of the most important contribu-tors to the recent restructuring of the lockmaking industry. The rising crime rate has not only brought rapid growth to

skills with another's note and safe expertise, but the merger has proved alow to live up to expectations. In the year to last March, operating profits fell from £31.2m to £30.5m.

Yale is big enough worldwide to have developed its own in-house electronic technology, but during the next 10 years it.

fell to a hostile bld from Racal.

the electronics group.

The new Racal subsidiary —
Racal Chubb — looked a classic knit of one company's electronic and communication
skills with another's lock and

in-house electronic technology, but during the past 10 years it has been bedevilled by a series of ownership changes. Eaton Manufacturing, Scovill Manufacturing and First City Industries of the US each took turns to milk it as a cash cow before the security sector: it has also changed the way security products are sold.

In the domestic market, for example, locks used to be supplied mainly through locksmiths and other specialist Valor of the UK took over last year. Yale and Valor's UK subsid-

suppliers. Now, security-con-scious, do-it-yourself enthusi-asts are fitting window locks' and mortice locks bought from DIY superstores, and packagiary, Yale Security Products, has adopted a more market-oriented approach under its new management, launching new products and buying ingersoll Locks from Alumasc ing is becoming more impor-In the industrial and comalong the way. Yet once again, a pall of uncertainty hangs mercial market, meanwhile, locks are no longer sold as sep-arate items. They come either as part of sophisticated secuover the group as bid specula-tion continues. rity packages linked to com-

The independent lockmakers, meanwhile, have lacked not only the marketing experplex electronic systems, or as part of a range of architectural ironmongery and door furni-ture products supplied by a single manufacturer. Unfortunately for the British tise to launch a convincing assault on the DIY sector. but also the resources to offer a comprehensive industrial package of related electronic or lock industry, the early stages of this period of change found the country's two big manufacturers, Chubb and Yale, ill-prepared to lead the way forward.

age of related electronic or ironmongery products.

Most have either thrown in their lot with larger groups – Erebus and Legge with architectural ironmongers Newman Tonks, J. E. Reynolds (ERA) with the Laird group's sealing exercises division, and Gibbons a sharp downturn in profits in the early 1980s, partly as a result of an ill-starred venture into cash registers. In 1984, it in the case of Century Locks,

been bought out by a pair of marketing entrapreheutis. Mr Gordon Fernleigh, former man-aging director of Polycell, and Mr Barry Bernstein, proprietor of Homecharm, the flatpack

of Homecharm, the hatpack kitchen company.

One of the British lockmaking industry's main concerns now is that it is racked by the turmoil of restructuring at a time when it should be strengthening itself against

strengthening itself against international competition.
In spite of the supposed insularity of national markets, estimates from the National Economic Development Office suggest that Britain's balance of trade in locks fell from a surplus of £11m in 1981 to a deficit of £8.6m in 1986.
Disturbingly, the explana-

Disturbingly, the explana-tion appears to lie in the fact that US, Swiss, West German and Italian companies are attacking the more sophisti-cated, higher added value, faster-growing end of the market, where traditional styles and designs do not necessarily

apply.

Pessimists in the industry fear that the trend is in danger of accelerating as international of accelerating as international standards are harmonised in the run-up to the single European market of 1992. For too long inward-looking, complacent and disorganised, they say, British lockmakers may have woken up to the challenges too late. lenges too late.

In Willenhall, the implications may be few for the crafts-men maintaining the traditions of a century ago by hand-build-ing specialist locks in their own backyards. But for the tories in an area where unemployment is already 11 per cent, the pessimists had better

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\$ 745

### Motor trade expects record August sales

By Kevin Done, Motor Industry Correspondent

THE UK motor industry is tions are set to exceed 2.1m braced for new car sales of up to 450,000 units during August, a record for a single month, as demand peaks with today's change of the registration pre-fix letter.

total sales, with demand stimu-lated by the change of letter. Most car makers have introduced cheap financing and spe-cial limited edition cars.

New car sales in the first six

units for the first time, bring-ing record sales for the third successive year. Meanwhile, Ford is to increase prices by an average of 2.6 per cent from August 15.

components for the K-series

engine into production for Austin Rover. The company would

then try to widen its customer

Hobourn is the product of a 1983 management buy-out from the Thomas Tilling conglomer-

ate. Last year it formed a joint

venture with Eaton Corpora-

tion to make power-steering pumps for the European and

North American markets. It

also makes other pumps. Rover's sale of the division is

the 15th in a string of disposals during the past 18 months. In

February it sold Beans Engineering, its machined-parts

subsidiary, for about £3m in a

management buy-out.
Further rationalisations

were announced last month when Rover said it was to close Llanelli Pressings in South

Wales and the South Works in

Cowley, Oxford, with the loss of at least 3,400 jobs.

three days after terms had been agreed for the acquisition

That announcement came

The month of August is crucial for car sales in the UK and traditionally accounts for about one-fifth of the year's accepted to herald increases by other makers.
Ford leads all four main seg-

ments of the UK car market with its Fiesta, Escort, Sierra and Granada models, but its market share in the first half months of the year were of the year fell, partly because 1.104m, 10.2 per cent higher of the two-week strike in Febthan a year ago, and for the ruary, from 29 per cent a year full year UK new car registraago to 26.94 per cent.

### **Dobson Park to cut jobs**

diversified engineering group, is to reorganise its UK mining equipment operations with the loss of 190 jobs, mostly in the

By Clay Harris

Yorkshire region. would continue at Fletcher Sutcliffe Wild in Wakefield and Sutcliffe Wild in Wakefield and Dobson's products include MS Longwall in Doncaster, but armoured-face and belt all other administrative and conveyors and hydraulic roof management functions would

DOBSON PARK Industries, the be relocated to Wigan, the group's head office and site of its main mining equipment subsidiary, Gullick Dobson.

The restructuring follows Orkshire region.

Dobson said manufacturing month of the mining equipment side of MS International.

#### Coastal oil spillages rise by 15%

By Kevin Brown, Transport Correspondent

THE NUMBER of oil spillages around the UK coast rose by 15 per cent last year to 500, according to an independent report published today.

The increase is revealed in the annual report of the Advisory Committee on Pollution of the Sea, a watchdog body which is a consultant to the International Maritime Organisation, the principal maritime agency of the United Nations. The report says most of the increase was due to a rise in offshore installations on the UK Continental Shelf, which rose from 91 in 1985 to 165 in 1986 and 254 last year. However, the increase is attributed to more accurate

reporting of spillages by offshore operators. Beach pollutions declined by 18 per cent and port spills were

down by 15 per cent.

The worst-hit areas of the UK coast were the Cromarty Firth, Humber Estuary, Dover Strait and the Solent.

## Inner cities 'need more aid from business'

By Haze! Duffy

BUSINESS is not yet making much impact on the problem of the inner cities, according to the Confederation of British Industry's task force on urban

regeneration in a report due to be published in September. Underlying the report, drawn up by a group of chief executives of leading compa-nice is a fear that much more nies, is a fear that much more needs to be done if the Government's overall policies are not to be undermined by the prob-lems of the blighted parts of

Mr John Banham, CBI direc-tor general, says that compa-

nies must adopt a more co-ordinated and coherent approach if their efforts are not to be lost in the enormity of the problem. Mrs Thatcher has made clear that the business role is vital to the success of her innercities policy. The report of the task force, set up in November under Mr Tom Frost, group chief executive of National Westminster Bank, sets out more specifically the part that

Chubb, the biggest British

security company and once independently quoted, suffered

It differs from the govern-ment line by emphasising the importance of local authorities in partnerships between the

business must play.

Mr Banham wants business

to take the leading role in part-nership with local authorities in the regeneration effort. The CBI also puts emphasis on property as the key to getting the ball rolling on inner cities. So far, British business has

public and private sectors.

Many businessmen believe the Government's downgrading of the role of local councils hampers progress on the inner of the cuty council and others have come together to co-ordinate encourage and identify nate, encourage and identify development opportunities. A similar initiative is being put together for Birmingham. The task force report will be

discussed at the CBI annual conference in November. It will So far, British business has not committed anything like the same level of resources to inner cities as leading companies have done in the DS.

converence in November. It will also be presented to the annual meeting of Business in the Community and to local authorities and property developers in the same month.

#### **Footwear imports down** as slow recovery starts

By Alice Rawsthorn

THE BELEAGUERED footwear across the industry rose by 8 industry may be emerging from months of recession. The levels of output and orders are recovering slowly and the industry has finally succeeded in stemming the influx of

Since autumn last year the shoe industry, concentrated in the north-west and the East Midlands, has suffered from soaring imports and sluggish output. As a result it has been scarred by cuts and closures. The latest figures from the British Footwear Manufactur-

flow of imports into the UK fell in May, for the first time this The volume of shoe imports

year, but in May it fell by more than 2 per cent. Moreover the level of output

rose by 8 per cent to 93m pairs in the first five months of the

ers Federation show that the

per cent in May, compared with a fall of I per cent to 46m pairs in the first five months. Despite these encouraging signs the shoe industry is still in "a very fragile state," said Mr Michael Fielden, director-general of the federation. The Far Eastern manufactur-

ers have become more competitive because of the decline of their currencies, which are related to the US dollar. This surge in imports has

posed a dual problem for the industry: first, domestic mannfacturers have lost sales to overseas competitors; second prices have been depressed cross the market.

Shoe companies have been forced to resort to emergency cost-cutting. Short-time working has become commonplace and several companies, chiefly small concerns, have closed.

### Mercury cuts its costs on international calls

Office of Telecommunications, cations operators sent BT. the industry's regulator, that

Mr Owen said the change by would bring benefits in subsefor carrying international calls

quent years, although they which originated on its net-

MERCURY Communications third of its international calls MERCURY Communications stands to make millions of through BT, because some forpounds in extra profits this year after a change in the prices it has to pay British Telecom on international calls. Cable and Wireless, Mercury's parent company, said the agreement would reduce its international-related payments to BT by between 15 per cent and 45 per cent. and 45 per cent.

The change was agreed after it failed to benefit from busiMercury complained to the ness that foreign telecommuni-

quent years, although they would become less important as Mercury was recognised by Mercury has to put about a more foreign operators.

#### NATIONAL BANK HUNGARY U.S.\$100,000,000 Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 29th July, 1988 to 30th January, 1989 (185 days), the following interest rates will apply: 15 YEAR ORIGINAL NOTES

(Coupon No. 8)
Rate per annum: 94%
Amount per coupon: US\$475.35
Payable on: 30th January, 1989 3 YEAR CONVERTED NOTES (Coupon No. 1,2)
Rate per annum; 81/4%
Amount per coupon: US\$456.08
Payable on: 30th January, 1989



THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

#### NOTICE TO THE HOLDERS OF The Hokkaido Takushoku Bank, Limited

U.S. \$100,000,000 134 per cent. Convertible Bonds due 2002 Pursuant to Clauses 7(B) and 7(C) of the Trust Deed dated 30th April, 1987 relating to the captioned Bonds, NOTICE IS HEREBY GIVEN

int:

The Board of Directors of The Holdaido Talcushoku Benk, Limited (the "Bank") at its meeting held on 29th June, 1988 resolved that the Bank shall grant to holders of its common stock on its register of shareholders as at 3.00 p.m., 16th August, 1989, Japen time (the "record date"), the right to subscribe for shares of its common stock at the ratio of 0.05 shares for each one share owned by such shareholders. Such rights are exercisable from 12th September to 20th September, 1988 (both dates inclusive), Japan time, at the subscribtion price of 490 ven per share.

ubscription price of 490 yen per share. As a result of such grant of rights, the conversion price in respective captioned Bonds will be adjusted in accordance with Clause 7(H) of the Trust Deed from 1,052 yen to 1,028,70 yen. The new conversion price becomes effective on 16th August, 198 the day immediately after the record date.

Detact: 1st August, 1988 The Hokkalde Takseholes Bunk, Limited

## Friendly HOTELS PLC

10 Greycoat Place, London SW1P 1SB

### "Substantial further progress can be expected in 1988"

TURNOVER PROFITS BEFORE TAX	1987-86 +155% +160%	1987 15,463,000 2,033,000	1986 6,068,000 781,000
DIVIDENDS PER ORDINARY SHARE	+ 50%	1.8p	1.2p
EARNINGS PER SHARE	+140%	14.9p	6.2p

- \* Benefits of operating on a larger scale will become more significant in the years to come. \* Acquisition of Baron Hotels, which is yet to be finalised, would give Friendly Hotels nearly
- 2,000 bedrooms.

and the second profession of the second

 Through continued expansion, Friendly Hotels will soon have over 750 individual serviced offices operational. The contents of this statement for which the Directors of Friendly Hotels plc are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Stoy Hayward who are authorised by the Institute of Chartered Accountants in England and Wales. Past performance is not necessarily an indication of future performance.

-THE CREATORS OF COMFORT-

### Legal Notices

CASTLEROCK INVESTMENTS LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to section 48/21 of the Insolvency Act 1995, that a meeting of the unsecured creditors of the above-named company will be held at Cortic Gully, Abous Court, 6 Minshull Street, Marchestar MT SED at 11.00 on Wednesday 10 August 1985 for the purpose of invining laid before if a copy of the report prepared by the attenditors are under Section 48 of the said Act and, if thought fit, appointing a committee.

COMPLETELINK LIMITED

L'ANCASHIRE LOANS LIMITED IN

meeting of the unascured creditors of the above-named company will be held at Cork Cutty. Abscurs Court, 8 Membril Street, Mercheeter, M1 38 D at 11.00 on Wednesday 10 August 1988 for the purpose of having jaid before it a copy of the report prepared by the administration resolution.

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Oil revenues support the healthy economy of this small and affluent Muslim country on the

Borneo coast. The Sultan, the 29th ruler, maintains his absolute power and sees no need yet for elections. A report by Roger Matthews

### **Wealth and** gentle pace

STUDENTS OF political and world's most turbulent regions economic geography will involving the worst of both immediately spot the apparent religious and political extremabberation suffered by the Great Geographer in siting. Brunei Darussalam on the

northern coast of Borneo. The clues are there in abundance. Brunet is small country dance. Brunet is small country the focus of superpower both physically and in terms of rivalry, nor is it subject to population: less than 6,000 much in the way of external square kilometres and about

It is ruled by a near absolute monarch. Its economy is heavily dependent on a single natural resource: hydrocar-

Its Gross National Product per capita is among the highest in the world. It has substantial financial reserves. Its official religion is Islam, and, if the world were a tidier place, Brunei should, of course, have

been located some thousands of miles to the west. There, alongside the United Arab Emirates, Kuwait and Qatar, it would have been a natural member of the Gulf Co-operation Council instead of being a rather less suited mem-ber of the Association of South East Asian Nations (Asean).

But Brunei has been greatly blessed. Instead of being 75 cent sand, its territory is 75 per cent forest. It can grow at last

ism, it shares the island of Bor-neo with Inducesia and Malay-sia, two generally tolerant and unthrestening neighbours. Brunet is unlikely ever to be

tively free to enjoy its wealth.

The gentle pace of Bandar

Seri Begawan, one of the world's least readily-remem-bered capital cities, is rarely. ruffled other than by the sirens of motor cycle outriders pro-claiming the progress of mem-bers of the royal family. Some civil servants — more than 45 per cent of the working popula-tion is employed by the Gov-ernment – have recently been encouraged by their employer

to take up golf.

The private sector has needed no such bidding. A future entry by Brunel in the Guinness Book of Records (there are two already, both relating to affluence) could well come under the heading "Chamber of Commerce with the Largest Proportion of Reg-ular Golfers."

There is just one statue in Bandar Seri Begawan, that of Sir Winston Churchill who Instead of sitting uneasily on stands pugnaciously outside the doorstep of one of the the only museum in the world



## Brunei Darussalam

dedicated solely to his achieve ments; and reminds those with very short memories that Brunei became fully independent from Britain only in 1983.

Sir Winston's presence was not a British initiative and the enthusiasm for things Anglo-Saxon has not greatly diminished in the past four and

a half years.
Rolls-Royces and Range Rovers, teachers and seconded military officers, light tanks and missile defence systems, television programmes and Britain has an internationally competitive product it enjoys an almost automatic advan-

The maintenance of the colonial link for a decade and a half after some of its neighbours won independence appears to have served Britain and Brunel well. By 1985 the communist threat to South East Asia which caused such severe birth pangs for Malaysia and Singapore had been virtu-

ally eliminated. The successive oil price rises

of the 1970s provided the country with a substantial financial cushion. Asean was already a proven grouping and, while scarcely dynamic, had created a sense of regional indentity.

The 159th member of the United Nations thus enjoyed a fairly painless birth and if ms were to be encountered they would be those familiar to nations or individuals which have inherited wealth or had it thrust upon them. For these fortunate few the requirement to create new assets is less important than the prudent administration of that which is already gained.

The few occasions since independence that Brunei has appeared in international headlines have almost all related to the expenditure of large sums money, whether in a personal or national capacity. In Brunei it is not always easy to distinguish the separate func-

His Majesty Sultan Haji Hassanal Bolkiah appears in the Guinness Book of Records as the world's richest man with

an estimated fortune of US\$25bn, an entry which has angered the Brunei authorities. They say this figure might be valid only if it included the nation's entire reserves.

However, his majesty is also Prime Minister and Minister of Defence. Reporting directly to the Prime Minister's office are the police, the civil service commission, audit, councils, administration, establishment, detention centre, the anti-corruption bureau, petroleum unit, plus broadcasting and

Two of the Sultan's brothers, Prince Muda Haji Mohamedbolkiah and Prince Muda Haji Jefri Bolkiah are the ministers of Foreign Affairs and Finance respectively.

Such a considerable concentration of portfolios in the hands of one family has led some internationally-experi-enced bankers to conclude that the clarity of the line between private and public purse in Brunei is perhaps more blurred than in any other country which comes readily to mind.

The free-spending style of the 42-year-old Sultan and his penchant for acquiring hotels, aircraft, yachts and customised cars and, more recently, works of art, have tended to reinforce this impression, at least in the public mind. And it has attracted to the Sultan and to Brunei the predictable quota of international bounty hunters eager to exploit any naivety or

This perhaps goes some way to explaining Brunei's role in providing funds for the Contra bels in Nicaragua; the fraudulent activities which led to the closure of the National Bank of Brunei; and the unsubstantiated allegations that funds from the Sultan played a role in the takeover battle for control of House of Fraser, the British company whose flagship is the world-famous Har-

rods department store. The Sultan has said he was misled over the contra pay-ment and the \$10m has since been repaid. He has denied any involvement in the House of Fraser takeover. Some of those

#### CONTENTS

responsible for the National

Bank of Brunei collapse have been tried and jailed.

rumours have obviously upset the Sultan, as has the volley of

sniping which accompanied

the construction of a golddomed 1,700-room palace which

serves as both his main resi-

dence and administrative head-

him to live in such style," say his defenders. The expectation

seems of fairly recent origin

though since his father, known

popularly as "The father of modern Brunei" who died in

1986, favoured a more modest

The Sultan's lifestyle may

also have served to foster the

understandable acceptance

among a growing proportion of the population, which is about

70 per cent Malay, that the pro-vision of affluence is a function

of the state. Like some of the

gulf states. Brunei citizens

enjoy cradle-to-grave welfare

services and a virtually tax-

loans allow quite young people in government service to build

substantial homes and drive

luxury cars. A student study-ing medicine abroad might

expect to return home to a pay-

ment of about \$170,000 in

accrued service, having already received a totally free

While such a financial stimu-

Generous housing and car

free environment.

education.

distribution of wealth

talk optimistically of a more

reserves are exhausted. They

wish to see a stronger private sector, some manufacturing,

the development of service

industries, and a greater flow of qualified citizens into the

In short they want Brunei to

be like other countries with a

range of economic activities

But with a workforce cur-

rently totalling only a little over 80,000, the limitations are

obvious. The country has the

financial resources to purchase the physical infrastructure of a

"The people of Brunei expect

However, the publicity and

#### **KEY FACTS**

Population: 226,300 Land area: 5,765 sq kms External trade - 1986 (Brunel \$m): imports: 1,450.4 Total: 5,440.5 Balance: 2.539.7

Government revenue and expenditure Total revenue: 3.331.5 Total expenditure: 2,720.4 Surplus: 611.1

Oil production (current): 150,000 b/d LNG: 5.1m tonnes a year

Exchange rate: US\$1 = Brunei \$2.02

modern state including armed forces, a diplomatic service and a national airline, but it will be forever struggling to find local people to staff them adequately.

There is a large expatriate workforce, especially in the construction industry, but it does raise the sensitive issue of what limit should be placed on the numbers of foreign workers in Brunei.

Equally sensitive is the atti-tude of the Government to the Chinese population, who number up to 60,000. An estimated 20,000 of them - many of whom have lived in Brunei for 20 years or more and consider the country their home - are effectively stateless.

lus is considered necessary to persuade young people to attempt the more demanding professions, it nonetheless con-To be granted citizenship they have to pass a stiff exami-nation based on the customs, tributes to the national perception of the state as the pro-vider, a function reinforced by practices and language of the majority Malay population. There is no syllabus and no formal method of instruction. the political necessity of attempting a more equitable

It is not surprising that many Chinese, and indeed In common with the smaller Malays, see it as a device for limiting the scope for the Chi-Gulf states, Ministers in Brunei diversified economy in readiness for the day when its oil nese in Brunei, despite the urgent need for their skills.

Brunei Shell, the jointly owned company responsible for exploiting the country's oil reserves and the country's second-largest employer, has expressed concern at the rate at which qualified Chinese are leaving because of their failure to be granted citizenship.

How precisely attuned the Sultan is to such concerns is questionable, although in such a small, closely-knit society secrets are not easily hidden. The quality of the advice and

who tenders it are obviously Continued on page 4

#### THE COUNTRY

Brunei Darussalam is in North West Borneo and borders onto Sarawak. It has a population of around 226,500. Malays make up around 155,500, the Chinese 41,500 and indigenous peoples some 11,500. There is a large foreign community working in Brunei, which is drawn from all over the world.

The Sultanate of Brunei Darussalam is a Malay Muslim monarchy which rose to prominence during the 14th to the 16th Centuries. Brunei Danussalam is guided today by the same dynasty-one of the world's oldest ruling families. His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, The Sultan and Yang Di-Pertuan is the 29th ruler and has been on the throne since 1967.

Today, Brunei has a cabinet style government, made up of eleven ministries headed by His Majesty, The Sultan and Yang Di-Pertuan as Prime



#### MANAGING ITS ECONOMY

professions.

and local skills.

The Government believes in sound monetary and fiscal policies based on a secure balance of trade and substantial foreign exchange reserves and investments. It has a balanced budget and no national debt.

There is no personal taxation and company taxation is at 30 per cent. Brunei has a double taxation agreement with the United Kingdom. The national currency-the Brunei dollar-is at parity with the Singapore dollar

The Brunei Investment Agency manages one of the world's largest investment portfolios with holdings in several major economies. The BIA has an office in London and is managed from its headquarters at the Brunei Ministry of Finance.

#### NATIONAL DEVELOPMENT PLAN

Brunei's national development plan covers the period 1986-1990 and aims to diversify the economy with planned total expenditure of B\$16.2 billion. It

## WHAT YOU SHOULD KNOW ABOUT BRUNEI DARUSSALAM

#### INTERNATIONAL STATUS

Brunei Darussalam resumed its full independence in 1984. Soon afterwards it joined the Association of South East Asian Nations-ASEAN. Brunei is committed to play its part to ensure that ASEAN remains a viable and effective association.

The Sulranate remains a member of the Commonwealth and values highly its links with the United Kingdom and other Commonwealth members.

Today, the Sultanate is a member of the United Nations, The Organisation of Islamic Conference and many other international bodies. In addition, Brunei maintains diplomatic relations with some 42 other states.

### **ACHIEVEMENTS**

#### SINCE INDEPENDENCE

Following resumption of full independence in 1984, Brunei's record of achievements encompasses impressive economic development, sustained social progress and a major effort to diversify the country's economy away from over dependence on oil and gas.

Brunei's economy has one of the highest per capita incomes in the world. The government is determined to ensure that the country enjoys a well balanced development. Civil aviation, communications, housing, education and social welfare are all priority areas in which good progress has been made

places emphasis on building up industry in nonenergy sectors, fostering private enterprise and developing job skills among the local workforce. Brunei's Ministry of Development is able to offer a whole variety of advice and aid packages for schemes that accord with the plan.

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Brunei almost immediately became the sixth member of the association of South East Asian nations, linking it to Malaysia, Indonesia, Thailand, the Philippines and Singapore, an important step towards achieving what a senior official describes as the country's primary aim of winning international acceptance as an inde-

pendent, sovereign nation.
The task has been made more difficult by the practical staffing problems involved in achieving an international

Before independence, Brunei was represented outside Asia London, and necessarily had but a small pool of diplomats to staff and upgrade the five embassies it immediately required in the capitals of its Asean colleagues.

The subsequent pace of expansion with a total of 13 foreign missions having been established by the end of last

royal family's personal wealth. In strictly financial terms WHEN Mr M.S.H. MacArthur arrived in Brunei in 1905 as the first British resident to be therefore, Brunei's economy appointed under the treaty has successfully diversified signed with London earlier away from oil as its principal that year, he discovered a disforeign exchange earner. It has also ensured that its oil and gas reserves should be suffimal financial situation. There was just B\$272,115.58 in the nt at the present rates of Of that paltry sum B\$200,000 depletion to last at least another 30 years, assuming was a loan from the federated some modest new discoveries.

states of Malaya. The first discovery of oil in 1929 helped to put Brunei's economy on a sounder footing, while the oil price explosions of 1973 and 1979 transformed the country's finances to the extent that for the past four years' investment income has

exceeded that produced by the

export of hydrocarbons.

This has allowed Brunei to adopt an oil conservation policy, dropping production from a peak of 260,000 barrels a day 1979 to the present level of about 150,000 b/d. In addition. Brunei exports just over 5m tonnes a year of liquified natural gas, on a long-term contract

with Japan. Together these two sources of revenue are more than sufficient to cover government expenditure, although the surplus last year may have dipped to as low as B\$600m, according to official estimates. However these figures do not include Brunei's investment earnings which may well be in the region of US\$1.5bn-2.5bn, nor apparently would it include the revenues accruing from the

year, and with more planned continues to place considerabl strain on its Foreign Ministry

obviously to be directed at the Asean countries and particu-Asean countries and particularly the political aspect of that relationship. "It is the cornerstone of our foreign policy as, historically, this region has not been noted for its stability," says Dato Awang Haji Zakaria, Deputy Minister for Foreign Affairs.

"The prime objective of Brunel is to continue to enjoy its independence and stability. Asean helps to provide that and the other members share our feelings."

As the organisation's newest member, it was considered important to develop contacts at more junior levels through participation in as many as possible of the hundreds of meetings held every year on different aspects of Asean's activities.

The aim has been not just to raise Brunei's profile within Asean, but also to ensure that Bruneians themselves are more conscious of the benefits of membership.

From that comfortable base

it was not surprising that the Fifth Development Plan

1986-1990 should lay such

heavy emphasis on the diversi-

fication of the economy as pri-

marily part of the nation-build-

ing process. With the financial

basis of the country assured

for the foreseeable future, the

real task for economic plan-

ners is to provide the range of

employment and challenges for

a population which theoreti-

cally could exist on govern-

Inevitably, the civil service

and the oil industry employ the lion's share of the coun-

try's estimated 81,000 work-

force, about one third of which is comprised of foreign nation-

als. By 1990, the current five-

year plan estimates, the total demand for labour will be just

ment grants.

But the main thrust had

In turn, it is argued, the pro-cess will contribute to Asean's wider cohesiveness and thus assist Brunei's ambition to se the organisation substantially

There is also a growing appreciation at senior levels in

Saudi Arabia and the smaller oil-producing states in attempting to contain or resolve issues of a rather more explosive nature than any that Brunei is

tunities for Brunei to cement friendships and simultaneously

Foreign policy is geared to winning full international status

### Rising profile in Asean

increase its level of economic co-operation.

Brunei of the extent to which the country's financial muscle can be used as an adjunct of foreign policy.
It is a strategy which has been used effectively for sev-eral years in the Gulf both by

likely to encounter. Given the huge imbalance in population and the level of economic development among the Asean countries, the opporassist in the development of Bruneian fashion it is not one countries such as indonesia which the authorities in could be considerable. However, apart from individual examples of generosity by the Sultan, there is no evidence yet that Brunei is ready

Last year during an official visit to Jakarta, the Sultan allowed it to be known that Brunei was providing up to \$100m in soft loans to help Indonesia's infrastructure pro-

formally to formulate such a

It is probable that more such moves in this direction will be en over the next few years and Brunei may well prove responsive to approaches from other friendly neighbours. Brunei's nearest neighbour, Malaysia, is the only country in the region with which Brunei can be considered to have a serious outstanding bilateral grievance, although in typical

which the authorities in Bandar Seri Begawan wish to make too much public fuss about.

Brunei maintains an out-standing claim to the district of Limbang which is part of the Malaysian state of Sarawak and has separated the Temburong district from the rest of Brunei since the 1890s. Looked at on the map, it appears absurd that a country as small as Brunei should be divided geographically.

There have been fairly regu-lar exchanges between Malaysia and Brunei over the issue at official level without there being much sign of movement. A flurry of rumours earlier this year suggested that Dr Mahathir Mohamad, Malaysia's Prime Minister, may have been considering the terms of a negotiated settlement. However, once those rumours

reached the printed page they quickly became the subject of legal proceedings and political controversy in Kuala Lumpur. Foreign Ministry officials in Brunel discount suggestions that Limbang could be purchased from Malaysia, arguing that it would be illogical to purchase that which is already theirs. Instead armidance in

expressed that as Malaysia would like to settle the prob-lem amicably, the way forward will be through negotiations.

Related to this is the offshore 200-mile exclusive eco-nomic zone which Malaysia has declared. Brunei is claim-ing the same area, which could be of interest to oil exploration

theirs. Instead, confidence is

and mining companies.
On wider international issues, Brunei tends to follow the lead of its Asean partners and appears persuaded that some shift towards greater equilibrium between the US and the Soviet Union in the region may not be entirely dis-

advantageous.

There is no automatic assumption that the US bases in the Philippines are vital to Asean, and a parallel willing. ness to keep an open mind about Soviet intentions in the wake of Mr Gorbachev's Vladivostok policy statement in mid-1986

Officials point to the improvements they detect in the Soviet Union's relations with Indonesia, the Philippines and Thailand as evidence of Moscow's new approach to Asia and the Pacific.

While there is no positive sign of welcome for a higher Soviet profile, the officials say that it would be foolish to ignore it.

Brunei does not have formal diplomatic relations with any of the Soviet bloc countries but as in the case of China. says it is constantly reviewing its position.

Another important aspect of Brunei's foreign relations is the natural affinity it feels for other Islamic countries, in particular Egypt where it sends students for religious instruction, and other small oil produ-cing states in the Galf. It recognises the similarities in the issues it shares with some of these nations and the impor-tance of harnessing blam as a

moderating force. Both Egypt and Sandi Arabia are seen by Brunel as important countries in this respect, while on Middle Bast issues it is supportive of the Palestinian cause and careful not to be seen to take sides on

the Gulf War. The best example of where Brunei's interests have been deemed to be different from those of Britain is in the two countries' voting records on Middle East issues at the United Nations. However, that is seen in Brunei as a rare dif-ference of opinion with Britain and one that should be expec-

And it may be another indication of Brunei's growing international development that among future embassies it is planning are both Paris and Bonn. Britain may have to work harder in the future to maintain its special relation-

THE ECONOMY

## Reduced dependence on oil

more marked with the advent of oil wealth. Officially, Brunei has an industrialisation policy which is geared to the promotion of

import substitution and towards export-oriented indus-The areas which have been indentified are agriculture, livestock, forestry and fish-

eries, manufacturing, and the tertiary industries such as banking and finance, insurance and maintenance services. The first and second categories offer some modest prospects but are inevitably handi-

capped by the tiny size of Brunei's domestic market. The Government sees oppor-tunties to increase rice production to cover up to 30 per cent of local needs, and to achieve self-sufficiency in vegetables, chicken and eggs. Rather greater potential is seen for aquaculture, particularly prawn farming, and forestry.

However, the danger is that

over 100,000, of which nearly with many basic foodstuffs already subsidised - which 38,000 will be non-resident. The development constraints incidentally creates a lively inherent with such a small smuggling industry across the labour force are obvious and border into Sarawak - the are exacerbated by the social attitudes which have become additional incentives required to encourage the development

of these industries will create further price distortions. The example of Saudi Arabia which achieved an exportable surplus of wheat, but at about seven times the world price, is one that Brunei's planners

could bear in mind. There is also resistance from some members of the private sector to involving themselves without greater government protection. They argue that new, young industries require protectionist barriers against

cheap imports. There is no sign yet that the Government is heeding such demands, but equally there is little indication that Malay businessmen are rushing to take up the opportunities.

Manufacturing industry

faces similar difficulties. Obviously it cannot be labour-intensive, but with technical education still in its infancy, the local labour force is not yet prepared for the very capitalintensive high-technology operations which Singapore has attracted so effectively. There is a great deal of offi-

cial pride in the fact that one textile company has successfully entered the women's outer wear market and a joint

venture agreement has been signed to establish a paints fac-tory, but beyond this the outlook is still hazy.

The Government believes it may be feasible to establish a cement factory and is also looking into chemicals and dves. There is also real potential for exploiting the large deposits of high-quality silica sands - used in the glass industry.

Brunei would also like to view itself as a potential finan-cial centre for the region and one of the development plan's objectives is to create a more aggressive finance and bank-

In the wake of the National Bank of Brunei collapse it first faces a period of consolidation. The misuse of over US\$600m of bank funds and the subsequent cover-up by bank officials and auditors seriously dented confidence in Brunei's capacity to regulate its own banking

The International Bank of Brunel, formed in 1980 as the Island Development Bank and now the only bank in the country with a majority local own-ership, has little option but to accept the task of demonstrating the soundness of banking practices. It has tightened up its procedures and put personal lending on what it describes as a more scientific

In a small close-knit society the temptation in the past had been to grant loans based on personal knowledge or family ties. The banks' officers are no longer allowed to maintain their own accounts at the bank and loans to relatives have to

hasis.

be specially approved.

More realistic provisions have been made for bad debts and the bank is putting greater emphasis of improving the skills of its staff.

Getting these fundamentals right will be crucial to Brunei's. putative development as a

financial centre. And because of the very limited opportunities in the domestic market, it will eventually have to become far more outward-looking.

The seven foreign banks in
Brunei, all of which are
licensed deposit takers, readily

admit their frustration at the lack of lending opportunities. One banker says: "We would very happily lend for industrial and other development projects, but at the moment the demand is just not there. We cannot just create industries

on our own. As soon as the demand arrives we will be ready and waiting." Another adds that because the Government takes care of so many of the population's requirements, for example with housing and car loans, there is little demand for traditional banking services. "In Brunei, salaries are essentially spend-

ing money," he says.

Most bankers believe that if Brunel is to make any impact internationally it will have to be in some highly-specialist niche, probably investment banking or perhaps there may be scope in insurance. A similar conclusion has been reached by some foreign experts with reference to man-

ufacturing amd service industries.

There could, for example, be some scope in tourism aimed at holidaymakers seeking an individually tailored package, or business travellers who require a couple of relaxing

The most difficult challenge for the Government however i likely to be the creation of attractive incentives, especially for the Malay busin community and that part of it which is achieving an already high standard of living

As one Chinese businessman out it: "There is no tradition in Brunei of acquiring wealth through private initiative. For many people their first choice of employment is still the Government. In order for real diversification to be achieved there has first to be a cultural

change. It is a view shared by others. Money will never be a problem for Brunei, so long as it is invested prudently, they say. But what the Government cannot do on its own is create the fulfilling job opportunities that an increasingly well-educated younger generation will demand.

**POLITICS** 

### Long wait for elections

THE RIGHT of a government—which caused some surprise at members. The Sultan said that to arrest and indefinitely the time and no little specula—the departing party leader had detain citizens without any form of legal process under the they had been permitted.

This brief flirtation with returned to Brunel from exile. terms of an Internal Security Act is one of the least happy legacies left by the British in Malaysia, Singapore and Bru-

Originally introduced as a weapon against Communist subversion and armed insur-rection, it has been used in all three countries during the past year against people with far more modest political ambi-

Unlike the other two countries, Brunei makes no Western-style democratic pretensions. The Sultan is quite clear on what he believes to be the function of monarchy - it is to provide leadership, and he is unable to forecast when the time might come for the people to participate more actively in

overnment.
Before considering elections he wishes to see "real evidence of an interest in politics by a responsible majority of the

How this is to come about is much less clear. Earlier this year there were two political parties in Brunei, the Brunei National Democratic Party and the Brunei National Solidarity Party. They were established at the end of 1985, a move

Of the two, the Democratic Party proved more active (although civil servants were forbidden to join) and attracted a certain amount of attention from Malaysian newspapers. This intensified when at a press conference in Kuala Lumpur last November, the party's leaders urged the Sul-tan to relinquish his post as Prime Minister and move

Two months later, the party was dissolved for infringing the Societies Act and its two aders, Abdul Latif Hamid and Abdul Latif Chuchu, were arrested under the Internal Security Act. The Sultan said the two men had been prepar-ing to act against the security of the state, while the reason given for disseolving the party was that it had connections

with a foreign organisation, the Pacific Democratic Union. The two arrested men were understood to be planning to attend a meeting of the Pacific Democratic Union in New Zealand. They remain in deten-

The National Solidarity Party decided soon afterwards that there was no point in continuing because it had only 60

political parties was the first indication for a quarter of a century that the Royal Family might again allow a degree of liberalisation. The last elec-tions were held in 1962 when, having scored a sweeping vic-tory, the Partai Rakyat Brunei (People's Party of Brunei) failed in its attempt to seize power in the face of the British military intervention requested by the present Sultan's father. In the words of the Sultan, the rebellion "left a legacy of pain and bitterness which lin-

gered for a long time." The consequences of 1962 are still being felt on a very per-sonal level. Four men involved in the rebellion remain in prison and, together with the two from the Democratic Party arrested earlier this year, make up the six currently held under the Internal Security Act for

political reasons.

The Sultan ordered the release of 34 detainees to mark his 42nd birthday last month. The photograph of the former detainees swearing their alle-giance to the sovereign was one of the 139 photographs that appeared of the Sultan that

week in the Borneo Bulletin.

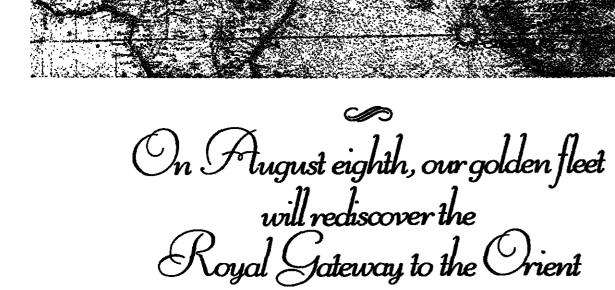
All but one of the released

They had been arrested "in order to check their activities while out of the country."

The 34th was Awang Abdul Samad who was jailed after the rebellion, escaped with others in 1973, and was re-arrested on his return to Brunei in the middle of 1987.

The fate of these men has been watched anxiously by others involved in the 1962 rebellion and who also subsequently escaped from prison. Haji Zaini Haji Ahmad, the spokesman for those men who together with their families total about 100 people, said recently in Kuala Lumpur that they were all anxious to return home. He said that they would pledge never to involve them-selves in politics again and would formally shut down the

banned party.
Pehin Dato Isa, Special
Adviser to the Sultan and Minister for Home Affairs, insists however that it was necessary to detain such people on their return in order to investigate their activities in exile and to be sure that they no longer posed a threat to the security of the state. He could not give them any guarantees in advance.

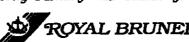


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Singapore Address: 510, Thomson Road, 08-02, Block A SLF Complex, Singapore 1129 Tel: 2587888 Tlx: RS 25605 RAYA Fax: 2584093

"BRUNEI'S LEADING AND DIVERSIFIED **GROUP OF COMPANIES"** 

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Roger Matthews talks to the country's head of state

Sultan Haji Hassanai Bolkiah of Brunei is the 29th direct successor in a 500-year family history

geographical location provide considerable security for the future. In an audience given to Roger Matthews, the Sultan explains his views and policies.

RM: What is the main thrust of the country's economic developments
The Sultan: Part of the infrastructure is already in place but we still have much to do under the Fifth Plan where total expenditure will be

For development some per cent going to social services, housing programmes and educational purposes; 20 per cent to public utilities; 20 per cent to transport and comparations. munications; 10 per cent to industry and commerce of which 5 per cent has been allocated for industrial promotion; and 10 per cent each for public

buildings and security.

There has been a reduction in revenue from petroleum products as a result of lower prices and the planned conservation policy. But the fall in oil prices has not affected our development plans. On the contrary, it has increased our determination to diversify and

strengthen the economy. We have no external debt property.

The PRB was banned and and there has been no need to borrow. There is a sound balance of trade and Brunel has large foreign exchange reserves and investments. RM: How do you see the role of My father resolved to do two monarchy and the inture polithings: to proceed with pru-

history and ical development of the coun-

try? The Sultan: Brunei Darussalam is a sovereign, independent, democratic, Malay, Moslem monarchy. Brunei has been a monarchy since the beginning of the 15th century, some 500 years, and I am the 29th ruler. Those that, with the Will of Allah, Brunei Darussalam will always be a Malay monarchy.

When you speak of the politi-cal structure I envisage for my people, I presume you are referring to the development of representative institutions. My late father, Sultan Haji Omer Ali Saffuddien, gave Bru-nel a constitution in 1959. There were elections to the leg-

councils in 1962. In a small closely-knit community the elections proved to be extremely divisive. The Partai Rakyat Brunel (PRB) won the elections and almost imme-diately its leader, who was not a Brunel subject, launched an armed rebellion, fomented by

My father called on Britain to meet its treaty obligations and with the aid of British forces the rebellion was swiftly put down, but not without some bloodshed and damage to

the legislature suspended. The rebellion left a legacy of pain and bitterness which lingered for a long time.

the 500-year history of the Bolkiah family has been abandoned.

Protocol in the presence of the 29th direct successor of the line, Sultan Haji Hassanal Bolkiah, is observed by the visitor: the removal of shoes; the courtly bow; the touching, rather than grasping, of his hand; and the subsequent care to avoid crossing one's legs. In the baroque, gilded

plendour of some state room in the Istana Nurul Imam (the royal palace), such formality may seem appropriate. In the Saltan's office, where high technology has been wedded to a decor beyond the scope of most interior designers, it is more a reminder of the national esteem in which he

The Sultan looks younger

than his years. A few days after celebrating his 42nd birthday, and dressed in a navy blue safari suit, only his monstache shows the first

signs of grey. No signs of the indulgences which can tempt men of immense wealth are visible and he talks enthusiastically of his sporting life, where polo has now had to give way increasingly to badiminton and

squash.
To play first-class pole, he says, it was necessary to devote more time to the game than he was able. He had been forced to find other ways of keeping fit, so that he could continue to fly aircraft.
The days when foreigners

seeking royal patronage in Brunei felt it necessary to know about, if not actually

In the Sultan's presence

consequentially-named Mallet Bar at the best hotel in town, where social and financial gossip flourishes, should perhaps think of changing its

It is an indication of modern monarchy that, although a devout Muslim, the Sultan is not an absolutist. The sale of alcohol is limited, not banned, despite some mutterings by the religious

establishment. Under the Saltan's rule, Brunei is a relatively tolerant country in which, he says, there is nothing wrong in accepting the value of Western wavs "which are not discordant to our way of life."

Both as head of state and as the father of nine children, he is concerned to keep out of Brunei what he describes as "certain Western patierns of behaviour."

The Sultan refers particularly to "the curse of narcotic drugs which seems to be infecting not only youth but other strata of society.'

As in Singapore and Malaysia, convicted drug traffickers in Bronet face the death penalty. It is not difficult to accept

the Sultan's assertion that his public image abroad has been strongly coloured by the personal contacts he developed. in the pursuit of his business affairs.

These include men such as Adnan Khashoggi, the Saudi Arabian entrepreneur; Khoo Teck Puat, the Malaysian financier, for whom an arrest warrant has been issued in connection with the fraud at the National Bank of Brune: Mohammed Al-Fayed, who won the takeover battle for the House of Fraser; and Shri Chandra Swamiji Maharaj,

who has made extravagant claims about the influence he has exercised over many prominent, wealthy people.

Those days, the Sultan indicates, are now over, and in future he will conduct his business through established

professional advisers. His foray into the more colourful side of international finance appears to have coincided with the declining years of his father, Sultan Haji Omar Ali Saifuddien, who caused a sensation when he abdicated in favour of his son in 1968 but continued to exert a strong influence on the young monarch's development.

It is a debt to which the present Suitan constantly refers in conversation. "My father was the architect of modern Brunei, and he showed the way to create a modern

"He did much to shape my approach to life, particularly the duties and responsibilities that fall upon the shoulders of a sovereign monarch."

### Time 'not ripe' for elections

dence towards more liberal institutions, and to raise Brunei's own armed forces. A small country like Brunel, in a region entering a new era of great political change, simply could not afford internal conflict. It needed peace and stability to employ the revenue from its newly-found offshore oil for the development of social services and public utili-

of political parties to be repre-

sentative are simply not borne

The Brunei National Demo-cratic Party (BNDP) was de-

registered recently because it

"At an Audience with the

Sultan, or one of his wazirs (principal ministers), considerable ceremony is

observed. Whatever the time

and placed on the floor

if he is a person of anu

SO WROTE William Hood

Treacher, an official of the Chartered British North

Borneo Company, who was a regular visitor to Brunei

towards the end of the last

Even though European

representatives of the media would be unlikely to qualify

for the title "person of any rank", it is fair to assume that

this particular tradition in

century.

of day, a thick beeswar candle

about three feet long, is lighted

alongside the European visitor,

ties for its people. After 1962, some steps were islative council and district taken to reconstitute the legislature, but there was no great interest in politics. However, after the resumption of full independence, new political parties were registered under the Societies Act. RM: What future is there for

political parties? The Sultan: I do not believe that the time is ripe for elections and a revival of the legislature. What I would wish to see first is real evidence of an interest in politics by a respon-sible majority of the people. The claims of some members

had connections with a foreign organisation, the Pacific Democratic Union, without the per-mission of the Registrar of Societies. It was then deemed necessary to detain under the Internal Security Act the BNDP chairman and secretary-general to prevent them from acting against the security of Brunei Darussalam.

Some members of the BNDP claimed it had 4,000 members, but the registrar's records showed that there were only 245 registered members. The Brunei National Solidarity Party (BNSP) permanent secretary recently told the

press that it was useless to continue with only 60 members. Without support the party was meaningless.
RM: How do you regard the structure of government?
The Sultan: On the resumption of independence in 1984 we introduced a Council of Cabinet Ministers with myself as Prime Minister, Minister of Finance and Minister for Home Affairs. Members of the Royal Family held the portfolios of Defence, Foreign Affairs, and Culture, Youth and Sport cum Deputy Finance Minister.

Other ministries were

headed by senior, able and experienced civil servants and technocrats with special skills.

The Council of Cabinet Ministers was reshuffled in 1986, when I retained the premier ship and took over the Minis-try of Defence, relinquishing

Home Affairs. Deputies were appointed to each ministry and there has been a major reorganisation of the civil service at top levels. The Council of Cabinet Ministers, which together with

the ministries of Finance and

other councils advises the ruler, is working well.
When I am convinced that there is a genuine interest in politics by a responsible majority of the people, it will be the time to consider what should be the next stage of political:

The role of the Brunei monarchy is to give leadership to the people. I cannot yet fore-cast when the time will be right for the people to share more actively in government. RM: What is your reaction to reports about your financial activities?

The Sultan: There has been a good deal of highly imagina-tive and inaccurate writing about my activities in certain sections of the press in the UK and in other countries.

Regarding financial matters, in the past I have relied too much on personal contacts to develop my business interests. My association with some of these individuals, who tend to attract their own publicity, I believe has been the principal cause of the many false reports about me in the media.

With hindsight, I realise now that on complex financial deals it would be better for me to negotiate any future business interests through established professional advisers who can give independent advice on these matters. I have already stated that no

funds of mine were involved in the takeover of Harrods. Regarding funds for the Contras, I issued a statement in December 1986 that I had made personal donation to the United States to be used for humanitarian purposes in Central America. I had assumed

that it had been so applied. Once the money had been paid it was beyond my control. As you must know from lengthy press reports, the money I had donated was found in a Swiss bank account and I ordered the money to be RM: What are the main

a self-styled spiritual adviser,

themes of your foreign policy?
The Sultan: Brunei has excellent relations with its friends and neighbours in Asean and with members of the Common-

wealth. A Bruneian is secretary-general of Asean. Brunei has a treaty of friendship and co-operation with the IIK with whom we have the most cordial relations, as indeed we do with many other countries including those in

the Arab world. Many of our students go to study at British universities and technical institutions and we have British teachers work-

ing in our schools. RM: What is your view of the American military presence in the region? The Sultan: We have cordial

relations with the US and I believe that the American presence in South-East Asia has been a counterbalance to what has been a growing Soviet presence in the region and East Asia.

The American presence has helped to preserve stability of the region since the end of the war in Vietnam. RM: How important are relations with other Islamic coun-

tries? The Sultan: Islam is a brotherhood and of course we feel affinity with other Islamic countries. I have travelled widely in West Asia and have a King of Jordan and the Sultan of Oman as we were all officer cadets at the Royal Military College at Sandhurst, although not, of course, at the same

RM: What are your ambitions for Brunei? The Sultan: In the 12 years before the turn of the century, it is my hope and prayer that with Allah's Blessing we shall have been able to complete our plans for every Bruneian to own a house, with all modern conveniences - electricity,

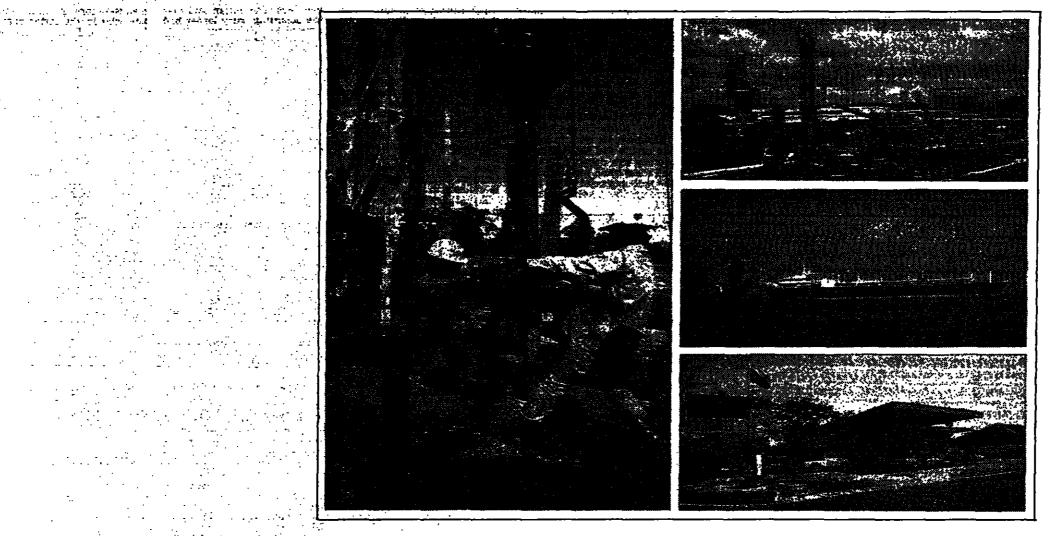
piped water and sewerage even in the remotest villages. To continue providing free educational, medical and health services and expand communications.

To develop agriculture with modern methods to provide a major portion of our basic food rice, meat and fish — which we now import. To have trained in Brunei.

and abroad where necessary, enough of our young people to occupy the highest administra-tive and technical posts in our oil and gas industries.

To have developed enough qualified Bruneians to play a major role in implementing the diversification programme out-lined in the Fifth Plan.

And to ensure, above all, that we retain the essentially Malay and Islamic character of Brunei. Preserving the best of our traditions and customs while accepting what is best from the West and discarding what is discordant with the particular affinity with the way of life of our people.



Nearly 90 years have passed since the oil and gas industry began in Brunei Darussalam.

1899 was the year to be exact - when the first well at Ayer Berkunci was spudded in.

In the year that followed a small band of oilmen carried on the search for hydrocarbons throughout Brunei Darussalam. Then in 1929 came that sought-after moment, the discovery of the Seria oilfield.

From those humble beginnings, Brunei Darussalam's oil and gas industry has grown to become a major exploration and production operation with downstream activities.

Brunei Shell takes pride in its past achievements and is confident of the future of the oil and gas industry in Brunei Darussalam.



BRUNEI SHELL GROUP OF COMPANIES

play a larger role. But it retains a strong European influence, reinforced for the visitor arriving by helicopter at the seaside complex by the sight of elegant colonial bungalows, a well-tended golf course, and swimming pools. Awang Haji Abdul Kani, director of the petroleum unit which reports directly to the Prime Minister's office and thus to the Sultan, stresses the length of Brunei's association with Shell and says that although the Government might have preferred a larger stake, it had agreed to the 50-50

compromise. Among other senior govern-ment officials, however, rather more critical views can be heard, with some expressing scepticism about the real value of Shell's contribution to the

The petroleum unit's role is essentially to monitor the operations of Brunei Shell and to discuss and agree on such

Haji Abdul Rahman, Perma-nent Secretary at the Ministry

of Finance and managing director of the Brunei Invest-ment Agency, is much sought

after although not necessarily

highly illuminating. Brunei plays its financial

cards extremely close to its

chest, but at least now gives the impression of thinking lon-

ger term about the role its sub-

stantial reserves should play in

the overall development of the

Since 1975 Brunei's accumu-

lated annual budget surpluses

basic issues as production and pricing policy, exploration, concessions and, as Abdul Kani puts it: "To know what's going on around the world."
Brunei's present production level of 150,000 barrels of oil a day, together with exports of 5.1m tonnes of liquified natural gas a year, makes it a small player on the international

It does not belong to the Organisation of Petroleum Exporting Countries, nor has it any desire to do so. However, it generally shares Opec's objectives and believes that without the organisation prices could have fallen more sharply. Abdul Kani believes that an unstable market benefits nei-ther customer nor producer

and that however diminished the cohesive power of Opec it is still beneficial. He maintains that Brunei is making its contribution to that cohesion but declines to be drawn on whether his country prefers to remain outside Opec because of its unwillingness to submit to a quota.

He forecasts that Brunei will stay on its 150,000 b/d plateau for some time as it both suits the Government's budget requirements and conserves the oil reserves for the benefit of future generations. The Gov-

have totalled about \$18bn,

according to the relatively few published government statis-

tics. Investment income is not

counted as part of government

proves some starting point for speculation about the total

sum managed by the BIA. Bankers estimate that it is at least \$20bn or could run to

\$25bn, but is unlikely to be sig-

nificantly higher. All Dato

Abdul Rahman will say is that

funds are quite separate from

He also insists that the BIA

the amount is "huge.

The \$18bn figure therefore

revenues.

Oil production is expected to stay on the present plateau

## Opec's objectives shared

ernment, he adds, has had to think more widely than basic commercial considerations.

Mr George Innes, managing director of Brunei Shell, while acknowledging the need for the present policy, says it could also be constraint. However, the only circumstance he can think of when the company might ask for a policy review is if substantial new discoveries

Both men express satisfaction at the progress which has been made towards employing a larger proportion of Brunel citizens, especially in the more senior management positions, but clearly the process has a long way still to go.

employees at the end of May, about 60 per cent were Bruneians. But 14 of the top 17 managerial jobs were held by Brunei Shell is pressing ahead as fast as the situation

Of the company's 3,670

will allow and, together with the Government, trying to

Brunei's substantial reserves may be put into merchant banking

Financial role being reviewed

the personal wealth of the Sul-tan and his family. And to rein-force the point he taps a

weighty auditors' report from

Peat Marwick but again with-

out providing any insight into

The agency manages on a day-to-day basis 35 per cent of

those funds, according to Abdul Rahman, the remainder being divided between eight

foreign institutions which he

declines to name in order "not

to give them a lot of free pub-

these institutions were of

The qualities demanded of

its contents.

bring 50 graduates a year into the industry, Mr Innes says. Conversations with govern-

ment and Brunei Shell employees reveal just how closely they monitor the relative benefits that are on offer, especially for housing and car loans. Bru-ne: Shell therefore has little option but to be a generous

Senior staff at Brunei Shell are also concerned at the loss of skilled local Chinese employees who, because they have not been granted Brunei citizen-ship, have left the company to join others overseas. The Government is aware of

this concern, but because the problem of citizenship relates to a more fundamental political issue there is little indica-tion that it will be eased, especially in the short term. Brunei Shell's operations are

divided among five companies. all of which are jointly owned with the exception of Brunei Coldgas in which Mitsubishi and Shell each have 25 per cent

course the ability to perform well, but of almost equal importance was their confiden-

tiality and maintenance of a

It is unlikely, he believes,

that the BIA would seek to take under its wing a greater percentage of its total funds

because of the strain on per-

sonnel in Brunei in maintain-

ing round-the-clock availabil-

Funds, he says, are divided

between cash, bonds, equities,

gold and real estate, the pro

portions varying according to

the assessment of market

trends. The BIA's property interests are primarily in London and New York, but do not

include the Dorchester Hotel which is the Sultan's personal

Abdul Rahman describes the

agency's recent performance in managing its funds as "excel-lent" and claims it did signifi-

cantly better last year than the foreign institutions, in part

because it anticipated last

October's collapse of the equi-ties markets, but also because

its operating costs were lower.

He rejects suggestions that the BIA might eventually

develop more along the lines of

the Kuwait Investment Office

by taking large equity states in

acquiring companies related to

The KIO's approach, he says, is too aggressive for Brunei to

emulate and runs the risk of

being politically unacceptable

to the host country involved.

In addition, it would require a

physical presence abroad in order manage the investment.

Instead Brunei is thinking

more of becoming what Abdul Rahman describes as a mer-

chant bank to the South East

Asian region, "Our greatest

the oil industry.

acquisition.

consistently low profile.

holdings and Brunei the remaining 50 per cent. Oil is sold mostly on term contracts on the basis of monthly retroactive pricing with the bulk of supplies going to Japan, Korea, Taiwan and the other members of Asean. Last year, some 20 per cent was sold on the spot market but this diminished with the signing of the first term contract for Brunei Light.
Brunei ranks as the world's

fourth-largest producer of liquified natural gas with the entire annual output shipped to three Japanese consumers (Tokyo gas, Tokyo Electric and Osaka Gas) under a 20-year contract signed in 1973. When its LNG plant was built in 1970 it was rate 2 as the world's larg-

During last year, most of Brunel Shell's development work was concentrated on the south-west Ampa and Seria fields and aimed at maximising recovery levels. Further evaluation work was done also on the company's concession

attribute as a nation is our

financial power. What Citibank does for the world we might be

able to do for the region," he

The type of risk the BIA might consider would be sover-

eign borrowers, those with tri-

ple-A ratings, and some institu-tions. Abdul Rahman thinks

that there would be no short-

age of borrowers and Brunei is developing the communica-tions and legal infrastructure to make such a role possible.

He does not anticinate that a

separate organisation would be

established to undertake the

merchant banking role but

rather that the BIA would

The capacity to assess cli-

ents has improved considera-

bly since the collapse of the National Bank of Brunel, Abdul Rahman asserts, and the

sheep are now more easily

sorted from the goats.
"In the past we have been too polite and too trusting. We

actually didn't like turning

people away. In the case of the

National Bank of Brunei, we

were following the British sys-

tem of checks and balances,

but what we did not discover

in time was that the auditors

proved our professionalism and

we have also developed a sys-tem of pre-checking."

Just how efficient that sys

tem has become could be put increasingly to the test if Bru-

nei develops along the lines it

However, its wish to keep a

low profile and its instinct for

secrecy are deeply ingrained and these could yet prove to be

the most powerful single influ-

ence on the investment agen-

were in fact collaborating.

evolve in that direction.

eventually prove possible to obtain a clearer picture of what are complex geological structures compared with, for example, those of the North

areas in the Jerudong and

This included a well on the site of discoveries first made in 1929. Although oil was not dis-covered in commercial quantities, the traces found were suf-ficient to make the area

Mr Innes points out that by using three-dimensional seismic techniques and greater computing power, it should

Well depths onshore run to



on 7 production platform in Brunel Bay. The country's oil is sold mostly on term contracts

4.000-5.000 feet, he says, while offshore they are in the range of 10,000-12,000 feet. Three other companies, Sun-

ray, Woods Petroleum and Jasra Elf, also have concessions in Brunet but of these only Jasra Elf is active. How-

optimistic that with a sizeable proportion of the land area still not properly evaluated, and 25 per cant of its offshore area also to be assessed, there must be reasonable prospects of fur-

#### PROFILE: ROYAL BRUNEI AIRLINES

### London route sought

ROYAL Brunei Airlines has ambitions far beyond the size of the country or population which it serves. Equipped with three new Boeing 757s purchased in 1986, in addition to the 737s it also operates, Royal Brunei is steadily expanding its routes in Asia and is now actively looking for its first scheduled flights to a Euronean destination.

Pengiran Tengah, the airline's managing director, indicates that preparations are in hand for the first purchase of wide-bodied aircraft the moment agreement is reached with a European country for flights to begin. Ideally, that country would be Britain and the airport would be Heathrow, although talks are also pro-ceeding with West Germany

for a service to Frankfurt. At best there is a marked lack of enthusiasm from the British side, given the pres-sures on Heathrow, the absence of any reciprocal benefits for British Airways and the most obvious question about where the passengers are going to be found. However, there are undoubtedly indirect pres sures which Brunei can bring to bear on the British authori-

The least weighty is that in times past BOAC used to fly into Brunei. The more potent is the close political ties between the two countries and the valuable market which Brunei provides for British

exports. The third and perhaps most persuasive is that Royal Brunei. chose Rolls-Royce 535e4 engines to power their 757s when the more logical choice might have been to follow Singapore Airlines and buy Pratt and Whitney engines.

Providing that there are Rolls-Royce engines suitable for Royal Brunei's future purchase of wide-bodied aircraft, a strong chance must exist that the business will again come to Britain. However a compromise offer for flights into Gatwick rather than Heathrow is unlikely to be accepted.

Royal Brunel appears to have accepted reductantly that it is unlikely to achieve soon its wish for twice-weekly flights to London and is not attracted by the suggestion that it could fly in once a week using the 757 - which would mean crews having to lay over in England for seven days at a

Pengiran Tengah: buying wide-bodied aircraft

Using the 757 on long-haul flights would also work against the image that Royal Brunei is trying to promote of an airline that offers more passenger space and better service than its competitors.

We are aiming to make our First Class better than that of Singapore Airlines," says Pen-giran Tengah. "It is for that reason we are also against the idea of leasing aircraft rather than purchasing them. We want to maintain our distinc-

Royal Brunei also intends to follow the example of Singapore Airlines by constantly modernising its fleet and is already planning to phase out its 737s (one has just been sold) and to replace them with 757s and wide-bodied aircraft.

tive corporate image."

Other airlines in the market dhand air do well to keep their eyes on Royal Brunei as the 737s are operating on average for only seven to eight hours a day and the 757s about five hours extremely low by international

Pengiran Tengah is seeking to persuade the Phillipines, Malaysia and Indonesia to agree to the use of the 757s on the flights into Manila, Kuala Lumpur and Jakata which are currently served only by the

He also hopes that Australia will lift the restriction on Royal Brunei's flights into Dar-win under which the 757 can carry only 100 passengers instead of its capacity of 148.

There would also be obvious attractions for Royal Brunei in line and Pengiran Tengah says he welcomes the idea of a consortium. "To join forces with a European airline would be par-ticularly attractive," he says, but there seem few likely candidates.

The Brunei government has a 10 per cent stake in Malay-sian Airlines System and Pen-giran Tengah sits on the airline's board. He believes it has been a prudent investment and last year earned a useful divi-

Other ideas which are slowly being explored include seeking to offer Brunei as a minor regional hub as other airports, such as those at Singapore, Bangkok and Hong Kong become more congested. Bru-nei has the attraction of being under-used and it has the longest runway in the region, designed initially to accommodate Concorde.

Should a new air force base be built to accommodate the Brunei Air Force's first venture into fixed-wing aircraft. this would further reduce movements at the airport.

Brunei might also find a niche as a freight tranship-ment centre and the authorities are investigating the possi-bility of establishing a duty-free warehousing zone. Royal Brunei does not plan

at the moment to buy freightonly aircraft but hopes it can develop its present capacity carrying imported goods.

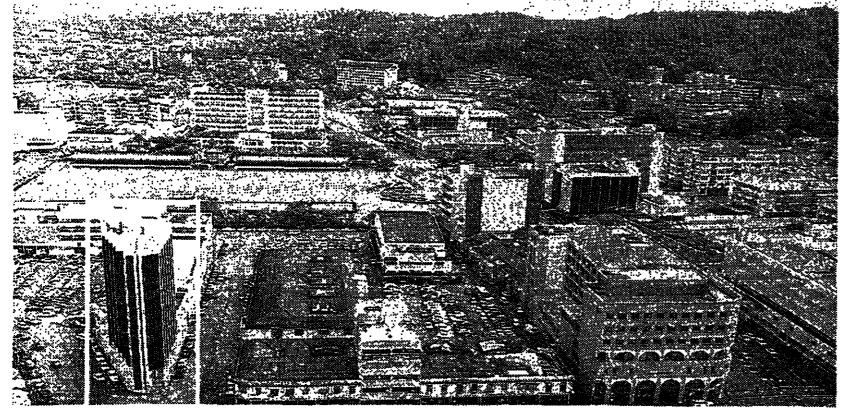
It is also investing in technical training, carrying out all but the major servicing on its 757s, and is already in a position to offer some specialised services to other airlines.

However, Royal Brunei's ement is under few Illusions about the uphill task they face in the harshly-competitive climate of interna-tional air transport, in which the major airlines exercise such a dominant influence.

But with the huge growth in passenger demand forecast for the remainder of the century, particularly in the Asia-Pacific region, it needs only to pick up the timest percentage of that expansion to have a promising future.

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### gentle pace

crucial since no formal method of consultation exists and the of consultation exists and the Sultan rarely makes speeches. Officials claim that he keeps in touch through regular visits to different parts of the country and by making unannounced appearances at different mosques for Friday prayers.

His subjects are encouraged to raise their grievances to raise their grievances directly or to put them in writ-

So far, at least, the centuries-old monarchical tradition seems to be unchallenged,

underpinned as it is by the soporific impact of new wealth. However there is a growing political awareness and an creasing interest among better-educated Bruneians about the future direction of the

country.

The Sultan as yet sees no demand for greater public participation in government, but he has found it necessary to warn against the dangers of Islamic extremism, an indica-tion of the stresses which can be created by unabashed con-sumerism in a traditional Mos-

S AT SHERATON LITTLE THINGE MEAN A LOT - AT SHERATON LITTLE THINGS MEAN A LOT - AT SHERATON LITTLE (S)

As one Bruneian puts it: "We used to be satisfied with very little. Now we want more. "Worse than that, we expect to be given more. And because

of that we are learning the meaning of envy." Sitting with the smiling Sultan in his multi-coloured high-tech office in the Royal Palace, with a Gauguin to his right and a Monet to his left, it is not difficult to appreciate that, for the moment at least, the sky for Brunei probably is as cloud-less as the one in which the ruler has just been piloting his private Boeing 757.

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#### MANAGEMENT

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### Picking the cherries in Asia

David Thomas examines the UK consumer electronics group's Far East operations

has been split trying to understand Amstrad, one facet of the hugely successful UK consumer electronics group has received scant attention; its activities in the Far East. In the past the company has been less than eager to let outsiders wander round its Far Eastern operations — a reticence reflecting the fact that they are second in importance only to what happens at its Brentwood

Yet Amstrad's control of its Far Eastern eperations is a model of its kind. The company, headed by its clear-think-ing founder, Alan Sugar, is a new type of phenomenon — one which exploits to the full the modern international division of labour. Amstrad can keep its costs and therefore its prices low by, in Sugar's words, "cherry picking" from the world's manufacturers; with consumer electronics that means mainly from Asia.

So while Amstrad notched up pre-tax profits of £90.12m on sales of £351.06m in the first half of this financial year, its own workforce is small. In Hong Kong, Amstrad's Asian base, the company employs less than 500 people, around 400 of whom work in its small factory making printers.

Amstrad's cramped Hong

Kong office hardly looks like a nerve centre for one of the most successful British companies of the decade. Shared with textile concern and tucked away in Kowloon's jewellery quarter, about 70 engineers and administrators control the company's web of sub-contracting, purchasing and shipping arrangements in the Far East.

At the heart of these is Amstrad's network of major sub-contractors manufacturing the company's computer, audio and video products. Amstrad depends on them for its most fundamental requirement -

lthough much ink Europe. This explains the care has been spilt trying with which a new sub-contractor is chosen.

In one recent case, says Stan Randall, Amstrad's head in Hong Kong, the company was impressed by the product coming out of a Taiwanese factory which it had not used before. Amstrad's Hong Kong engineers took the factory's products apart, studying the techniques used by their Taiwanese counterparts. They worked out a price and quality specification for a large quantity of a particular Amstrad product. "At that stage, the factory didn't even know we were interested in them," Randall says. Randall, Amstrad's head in dall says.

When Amstrad knew what it wanted and the price it was prepared to pay, its team vis-ited the factory. They spent four days crawling over its pro-cedures. Satisfied with what they found they began negoti-ating an order for 200,000 of the

Amstrad keeps tight control over its sub-contractors. Ran-dall, one of only two people from Britain employed by Amstrad in the Far Bast, insists on up to five of his Hong Kong engineers working full-time in a sub-contractor's factory when a new product is being introduced. Amstrad supervises and pays for the installation of new tooling for its products. Once a sub-con-tractor is bedded down, Amstrad maintains pressure on quality through a team of 20 inspectors, based in Hong Kong, who are constantly visitmg the sub-contractors. Randall, who was Amstrad's

purchasing manager in the UK before setting up the compa-ny's subsidiary in Hong Kong in 1981, says Amstrad uses its printer factory there as a test-ing ground for innovative production ideas. Sandwiched into four floors in Kowloon, the plant will be churning out 50,000 printers a month by the products at the right price and end of the year. Printers were quantity for the high streets of chosen as the sole product for



Stan Randall and Callen So: studying China's manufacturing potential

Amstrad itself to make in the Far East because Amstrad's direct competitors own the other printer factories in the

region. Randall aims for a stable set of sub-contractors, so that they learn to take Amstrad into their confidence about their future plans. Amstrad has been dealing with the Japanese company which makes its computers and word processors in a Korean plant for 14 years. "It's a long-term relationship. We have had some companies get very big on the back of Amstrad business," Randall

iys. But he tries to remain highly flexible within his stable bedrock of sub-contractors and major suppliers. "You always have to keep your options open to move your production round the region," says Randall, a worksholic never far from his cellular phone.

Most of Amstrad's computers and word processors are made in Korea, with some coming from a Taiwanese plant also owned by the Japanese subcontractor. Key components, including disc drives, keyboards and integrated circuits, are sourced from Japan, as are some top-end video and audio products, such as compact disc mechanisms. The bulk of the

audio products hail from Taiwan, with dual sourcing for products made in large vol-But with Taiwan and Korea

becoming more expensive, Randall foresees this pattern changing, with some products being sourced in Thailand or China (see opposite). Amstrad's Japanese computer sub-contractor is worried by the instability and the rising currency in Korea. It has kept Amstrad briefed on its plans to build a plant in Thailand, raising the possibility that Amstrad might start making its computers and word processors at this Thai facility.

Amstrad also retains flexibil-ity and keeps the ild on prices through a tight grip on its pur-chasing. Every month its Hong Kong office gets bills of materials from its sub-contractors. Its staff pore over these, trying to spot components which Amstrad, with its large purchasing muscle, could buy more cheaply. A central purchasing department at Amstrad's UK headquarters also monitors prices worldwide. Recently, for instance, it came up with a chean source of came up with a cheap source of mains lead in Portugal.

The company's Hong Kong staff, mainly in their 20s and 30s, are central to all these

activities. They also help with the design of Amstrad's products to a surprising degree, although the Brentwood headquarters has the final say. When I visited, a young Hong Kong engineer was working on a design for a new Amstrad printer. Design ideas flow back and forth between Hong Kong

and Brentwood by fax. Engineers and technicians in Hong Kong are in chronically short supply. Randall's response is to give talented staff responsibility and recognition as early as possible, whatever their formal qualifications. Thus Isaac Ip, now number two in the engineering department, was originally employed as a routine draughtsman. Randall encour-aged lp's early interest in design, with the result that Ip came up with a more efficient mouse for Amstrad's personal computer.

But perhaps the outstanding example of Amstrad giving its Hong Kong staff their head is Callen So. She was one of Randall's first employees when she joined Amstrad as a 19-year old secretary. Seven years later, she is a linchpin of Amstrad's operations as the company's sales and marketing director in the Far East.

She is responsible not only

#### Why China beckons

AS COSTS escalate in Amstrad's traditional suppliers such as Korea and Taiwan, the company is thinking hard about sourcing components and products from China. "It's quite obvious; they have the manpower and they have the spare capacity," says Alan Sugar, Amstrad chairman. Stan Randall, head of

Amstrad's Hong Kong operations, and Callen So, Amstrad's marketing director in the Far East, have been studying China's manufactur-ing potential for over a year. They started by picking up local information about facto-

ries regarded as efficient within striking distance of Hong Kong and then began visiting them. They are now sourcing the mouse for Amstrad's computers from one

of these on a trial basis.

Randall is also in negotia tions with a high tech facility north of Peking used in Chi-na's missile programme, which is eager to fill up its spare capacity with civilian electronics work. But Randall remains worried by several features of doing business

 Quality. Amstrad insists on setting up the engineering operation and controlling quality in Chinese sub-contrac-tors as it does in all the Far East plants — arrangements which the Chinese are not used to.

for a fair slice of Amstrad's purchasing in the Far East, but

also for shipping Amstrad's products to customers in

Europe, the other side of the Hong Kong operation. Both Alan Sugar and Randall are

fulsome in their praise of So.

Amstrad benefits from its

trust in its Hong Kong staff. Randall, married to a Chinese woman himself and with little

woman in the time for the ex-pat British community, says it belps to pick up commercial gossip in the region. It also comes in useful

when preparing for his annual

negotiations with his main

Japanese suppliers; he goes in for role-playing exercises, with his Chinese lieutenants includ-

ing Callen So pretending to be

Far Eastern machine some-times breaks down. Randall

remembers the time shortly

after the launch of Amstrad's

first personal computer in 1986 when customers in Europe

I didn't get much sleep."

Yet even Amstrad's smooth

his Jananese adversaries.

• Hong Kong staff. Keeping a tight grip on quality will mean having one or two of its Hong Kong engineers stationed permanently in Chinese factories

 a very unpopular idea.
 Many companies in Hong Kong have to offer their workers huge sums to persuade them to do a stint in China. Callen So has spent time in China looking for appartments and domestic staff of a quality to compensate Amstrad's Hong to compensate Amstrad's Hone Kong engineers for what they regard as the deprivations of living in China.

Communications. Hong

Kong workers' fears about working in China are eased if the factory is within reasonable distance of home. Randall also worries about keeping in touch with a Chinese sub-con-

were screaming for them but the Far East was embarrass-"If they have no fax machine, I get nervous. If it takes two days to get there, I get nervous," says Randall. He seems sure Amstrad will do ingly slow in supplying them.
"Everything went wrong at the same time. There was a component shortage. There was a much more business in China - but adds: "There's no panic. mammoth fire in a plastics factory in Taiwan. It was one thing after another. Callen and People go at a very slow pace

#### | Management abstracts

Decision Support flexible manufacturing systems, S.K. Kassicteh and C.R. Schultz in Omega (UK) Vol 15 No6 87 (8

pages).

Describes a decision support system to aid choice of FMS, according to predicted characteristics (such as machine utilisation), by examining costs and benefits as well as providing simulated scenarios of performance.

Success factors in product innovation. R.G. Cooper and E.J. Kleinschmidt in Industrial Marketing Management (US)
Aug 87 (812 pages).
Reports on a study that
investigated the fate of 200-plus

new products, and obtained information on factors such as product differential, attractiveness of market, risk to end-customer, fit between the project and existing resources, and "determinateness" (extent of definition prior to development). Draws conclusions. Financial analysis of manufacturing technologies.

M.C.O'Guin in Industrial Engineering (US) Nov 87 (412 pages).

Describes an approach to

capital investment justification which puts product quality improvement into the process. Looks at traditional cost justi-fication techniques which ignore accelerating technologi-cal innovation and points out how catastrophic this can be, e.g. NCR wrote off \$140m isn inventory and points out how catastrophic this can be e.g. NCR wrote off \$140m in inventory and laid off 20,000 employees when it finally realised that electro-mechanical cash registers had been eclipsed by electronic machine. Explains that the new approach starts with establishing customer-perceived quality and attributes of the company's products; shows that any investment justification involving improved quality attributes must include increased cash flow - as well as cost savings - derived from their increase in market share. Better ways to collect informa-tion from clients. L. Novelli and W.R. Flynn in Journal of Management Consulting (Netherlands), Vol 3 No 4 87. Stresses that rapid data col-

lection at the start of an assignment offers many advantages, and compares two techniques, viz. focused discussion and nominal group technique; favours the latter.

### Contracts & Tenders

#### **TEACHERS' SUPERANNUATION**

#### **ADDITIONAL VOLUNTARY CONTRIBUTIONS**

The Department of Education and Science, Scottish Office, and Department of Education Northern ireland, propose to extend the range of AVC facilities currently available to members of the teachers; superannuation schemes. Currently total membership of the 3 schemes is approximately

The Departments are seeking for each scheme a provider of money purchase AVC facilities including an option for benefits payable on death. in service.

It is expected that institutions appointed to provide AVC facilities will offer worthwhile concessions on management and other charges, and favourable administrative arrangements including assistance with the monitoring of emerging benefits against IR

Applications are invited from institutions providing AVC facilities as principals. It is not intended to consider proposals from agents or intermediaries.

Interested organisation should seek a detailed specification from Mrs H S Mackenzie, Pensions Branch, Department of Education and Science, Mowden Hall, Staindrop Road, Darlington, Co. Durham DL3 9BG by 12 August 1988.

### **CITY OF LONDON PROPERTY**

The Financial Times proposes to publish a Survey on the above on

#### Friday 23rd September 1988

For a full editorial synopsis and advertisement details, please contact:

#### JONATHAN WALLIS

on 01-248-8000 ext 4196 or write to him at:

Bracken House, 10 Cannon Street London EC4P 4BY.

#### **IV PROJECT** POWER REHABILITATION PROJECT

#### KHARTOUM VEHICLE PROCUREMENT

The Government of Sudan has secured loans from the International Development Association (IDA) in various currencies towards the cost of the Power IV Project and the Power Rehabilitation Project. It is intended that part of the proceeds of these loans will be applied to eligible payments under the contract for vehicle procurement for the National Electricity Corporation.

The IDA financed contract would be open to World Bank member countries, Switzerland, Taiwan and China. The National Electricity Corporation therefore invites sealed bids from eligible bidders for supply and delivery of the following vehicles:

3 minibuse 2 trucks (chassis only) 28 utility vehicles 8 saloon cars 10 motor cycles

No pre-qualification will be necessary.



Bid documents are available from the address below at a cost of US\$50 per set starting from 15th August 1988. Bid closing date is 29th September 1988. Prospective bidders may request documents from : Mr J.D.White / Mr A.P.Ward Ewbank Preece, Preece House, Davigdor Road, Hove, East Sussex BN1 1RZ Telex 878102 EPLBTN G Telephone (0273) 724533 Fax (0273) 200483

#### **GOVERNMENT OF INDIA** AIR HEADQUARTERS: INDIAN AIR FORCE TENDER NOTICE

On behalf of the President of India, Director of Purchase Air Headquarters, IAF invites sealed tenders on prescribed forms from manufacturers, stocklists registered with MOD/BSI, on approved list of ISW, Loadon; of Air HQ, India for supply of the following stores on FOB basis:

NATURE OF EQUIPMENT TENDER NOS. TENDER

OPENING DATE (a) Cold Weather Flying Clothing NR/8825405 15 Sep

> 30 Sep

(b) Aviation Oils & Lubricants NR/8825401 Sep (c) Aircraft Instruments NR/8825400 30 Sep (d) Hunter Airframe NR/8825055 30 Sep

(c) Titling Machine for Aerial Films NR/8825010

Tender documents can be had from the office of the Director of Purchase, Air Headquarters, Vayu Bhavan, New Delhi 110 011 (Telex 31-65622) (Telex 301-7664/301-1754) on payment of £10/- per tender by Demand Bank Draft Payable to CDA(HQ), New Delhi at State Bank of India, New Delhi. However, message through telex may be sent in advance and payment follow. Tenders will be opened at 1430 hrs on due dates. Sale of tender documents will close on 22 Aug 88 for Srl No. (a) above and on 30 Aug 88 for others. Samples will be required against Srl No. (a) above which may be sent in advance as per directions in the tender documents. Only those who can offer stores with suitable AQAP and Def Stan certifications, their NATO/BSI equivalent or Release Notes (in the case of manufacturers) may seek tender documents. Copy of MOD/approved authority authorising issue of inspection certificates for the rauge of stores offered is essential. Where stockists propose obtaining services of other agencies for inspection/quality assurance, approval accorded to them by MOD must accompany tender documents. Tender offers will not be considered if they are late or if documents as prescribed are not enclosed.

CORRESPONDENCE/COMMUNICATION WILL BE DIRECT WITH THIS OFFICE IN INDIA AND NOT THROUGH ANY INDIAN AGENTS.

Rentals

### Plaza Estates

PARE ROAD, NWI
Brand new fourth floor flat in
prestigious block opp. Regents Park.3
Beds: 3 Baths. Rocept. F/F Kit: 2
Balconies; Lift: Porter Long Lets
£55.00 per week of 724 3/00
EARLS COURT SQUARE, SWS
Specious, new refurbished flat. 2 Dible
Beds: Bath: Lge Recept Kit/Brichit rest
Lift: Communal gardens Long Lets
£525.00 per week
01 581 7646

#### KENWOODS

QUALITY FURNISHED FLATS AND HOUSES Short and Long Lets 23 Spring St., London W2 1JA Tel: 01-402 2271 Telex: 25271 Fax: (01) 262 3750

RENTAL

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01 491 7859.

### Company Notices

#### ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL) U.S. DOLLARS 300,000,000 FLOATING RATE NOTES DUE 2000

Due to a delay totally independent of the duties and the supervision of Ente Nazionale per l'Energia Elettrica (ENEL) ("ENEL") the notice of prepayment on September 6, 1988 of the Notes relating to the subject issue was published on July 18, 1988 rather than July 8, 1988 without giving the sixty days notice provided for in clause "Purchase and Redemption" of the Terms and Conditions of the Notes.

However, since each Noteholder is at liberty to walve his right to a sixty days notice, such provision being for his sole benefit, ENEL will prepay at par on September 6, 1988 the Notes to all those Noteholders who will present their Notes to the principal paying agent or to any of the paying agents of the subject issue.

Such presentation by any Noteholder will imply a full waiver of any claim, complaint or action in any way related to or consequent upon the involuntary failure to give at least sixty days prior notice according to the Terms of the above mentioned clause.

Furthermore, ENEL communicates that the Notes not presented for payment as indicated above, will be prepaid at par on the next interest payment date falling in March 1989 and hereby gives notice of prepayment for such date as provided for in clause "Purchase and Redemption" of the Terms and Conditions of the Notes.

The present notice is being given after consultations with the Representatives of the "Masse" of the Noteholders.

Luxembourg, July 28, 1988

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE 15, avenue Emile Reuter LUXEMBOURG

#### ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL) U.S. DOLLARS 300,000,000 **FLOATING RATE NOTES DUE 2000**

Société Générale Alsactenne de Banque, Luxembourg Branch ("SOGENAL") informs the Noteholders that it offers to pay a special premium of 0.07 per cent on the principal to all the Noteholders of Ente Nazionale per l'Energia Elettrica (ENEL) U.S. Dollars 300,000,000 Floating Rate Notes due 2000 who will present their Notes for prepayment to it in its quality of principal paying agent or to any of the paying agents of the subject issue.

The payment of this premium will be added to the payment of the coupon and reimbursement of the notes on September 6, 1988.

Luxembourg, July 28, 1988

SOCIETE GENERALE ALSACIENNE DE BANQUE Luxembourg Branch

### Kleinwort Benson

Kleinwort Benson Limited announces that with effect from 1st August 1988, the mortgage base rate will be 11.4% per annum and the personal loan base rate will be 10.4% per annum.

#### Clubs

EVE has outlived the others because of a policy on tair play and value for money. Supper from 10-3.30 am. Disco and tap musicians, plannorous hostesses, section, flograhows. 189, Ragent St., 01-734 0557.

#### **Art Galleries**

### Construction Invest in Quality -Solihull-Bracknell

#### Mixed batch for Tarmac

Contracts worth about £12m have been awarded to TAR-MAC CONSTRUCTION. One of the largest, at £5.3m, is for building a factory, office block and associated external works at Rugby, for Continental Can

In Scotland, projects include fitting-out premises in Glas-gow, for the Royal Bank of Scotland (£481,000); and extending the north apron at Edin-burgh Airport (£453,000).

Other contracts include a factory extension and service road at Burnley, for Vekaplast (UK) (£904,000); a workshop and buildings at Barnaby, near Doncaster, for the C.E.G.B. (£452,000) and demolition and site clearance at Leeds, for

NFC Properties (£394,000). Two contracts have been awarded to the company's housing division. They are for work on repairing and modernising local authority homes at Sheffield (£2.5m) and West Bromwich (£457,000).

TODAY

80x, 12.00 Tex Hidgs., Great Eastern Hotel, Liverpool Street, E.C., 12.00 Vibroplant, Most House Incl. Hotel, Harro-

Waterglade Ind., Butchers' Hall, 57, Bartho-wew Cose, E.C., 12.00 BOARD MEETINGS-

Commercial Bank of Near East Consolidated Co. Buttonetela Mine Griqualand West Diamond Mining Co. Islo of Man Enterprises DIVIDEND AND INTEREST PAYMENTS-

90 53gpc Ancie American Corp. of South Africa Spc

ALA 400 PT 1.49
batte 7.20
casolidated 450 Ln 2pc
caron Beach 0.59
curtauda 9.25p
laigety 4.85pc Pt 2.425p
laigety 4.85pc Pt 2.425p
laigety 4.85pc Pt 2.425p
laigety 6.85pc Pt 1.8094p
laigety 6.85pc Pt 1.8

au v.73/01p
Aquesculum Group 712pe PI 4.375p
De 712pe Pig PI 2.625p
Bel 1.75p
Bell Atlantic 102cts

USC Mainmet Hildgs. Saville Gorden Waverley Cameron Interlese

FINANCIAL DIARY

### £90m orders for AMEC

Construction group AMEC has won orders totalling £90m. Fairclough Building is to build two eight-floor office blocks in the City of London, and carry out a major extension to Whitgift School in Croydon. Fair-clough Civil Engineering has been awarded the contract for a cross-town route in Reading.

Press Construction has won its biggest order from the nuclear industry - a £30m-plus award for pipework and equip-ment installation in the new thermal oxide reprocessing plant (THORP) at British Nuclear Fuels' Sellafield com-

give Press's industrial engineering division three contracts at Sellafield, where the

ously for the last fourteen years. It is likely to necessitate the recruitment of a least 50 technical and administration staff plus an as yet unspecified number of trades people. The company's offsite fabrication facility at Maryport will also be extended to provide extra capacity for fabrication, testing and materials storage.
The project involves the fab-

rication, installation and test-ing of nearly 100 000 metres of stainless and carbon-steel pipework of 40mm average bore in 45 cells in four zones of the chemical separation building in THORP. The company will also erect and connect the associated equipment, amounting to almost 2,700 vessels and

other items of plant.

The work will be disciplined by extremely stringent quality specifications, with all welds totalling over 165,000 weld inches, being non-destructively tested for defects. Pipework will be fabricated at the Maryport unit, where advanced equipment, including a com-puter-controlled bending machine and automatic orbital welding systems, will maintain consistent standards. The work on site will include the dismantling, storage and re-erection of 300 tonnes of steelwork to enable pipework to be installed. At peak times 300 tradespeople are likely to be engaged on the project, which is programmed for completion in mid-1990.

#### City of London project



HIGGS AND HILL MANAGEMENT CONTRACTING has starte work on a £4.3m six-storey office block to be built at 80.86 Old Street, London ECl for Palmerston Property Developments. The offices will be constructed on piled foundations and will have a reinforced concrete frame. They will be clad with facing brickwork, with feature arches and aluminium-framed windows. A steel and timber mansard with dormer windows will be constructed at roof level. Internally, the offices areas will be airconstituted with greeneded ceilings wifed figures and a contract. ditioned with suspended ceilings, raised floors and a carpeted

#### Offices for Slough

WILTSHIER SOUTH MIDLANDS, a division of the John E Wiltshier Group, has started work on two contracts worth a total of £3.4m. At 281/ 295 Farnham Road, Slough, the company has a £2.2m contract to build an office development, for sister company Wiltshier Estates & Developments.The

Sterling Publishing, 24, Upper Brook Street, W. 11.30 Triplex Lloyd, Skrmingham Metropole Hotel, National Emilibition Castre, Birming-

development will provide small, self contained office units for sale to local busi-nesses. At the Hilton National banqueting suite.

Hotel. Watford, the company has won a £1.2m contract to extend the hotel's facilities, providing further restaurant

space, a link building and a

Edinburgh Oil & Gas

Edisburgh OH & Gazs
Holders technology
Investment Trust of Guerassey
Invisions Trust of Guerassey
Invisions Trust of Guerassey
Invisions Trust of Guerassey
Invisions And Anteries Trayment's
Angle rists Bank Cepp. 0.9625p
Archimedes Inv. Tst. & Sp
Besists Mines Stois.
Bermude Intl. Bond. Fund. 30ts.
Cateboread. Robey & Co. 3p
Do. A Pop. Charles Co. 3p
Do. A Spc (Findy. 7pc) Max. 15pc (Findy. 5pc)
Do. 4.9pc (Findy. 7pc) Max. 10ts
Do. 7pc (Findy. 10to) Max. 35pc
Grootviel Proprietary Mines 30cts.
Harmony Leisure Group 6.14p
Heavitree Brewery 2.4p

Harmony Leasure Group 0.49
Heavitres Revenery 2.49
Do. "A" LV 2.49
Lee (Arthur) & Sons 1.259
NCR Corp. 31cls.
Oakwood Group 19
PCT Group 2.49
Pathinders Group 0.2829
REA Hidgs. 19
River & Mercantille American-

TSU 1.5p
St. 1.5p
United Partiage Group 1.5p
Viking Partiaging Group 1.5p
SATURDAY AUGUST 6
DIVIDEND AND RUBBEST 9-AVMENTS
Hembros Inv. Tst. 3.5p
ICI 11-3p C Uns. Ln. 91/95 5.6975pc.
Intl. Distillers & Vintners 8-2pc Uns. Ln. 195/92 4.25pc.
Whitmend & Co. 7-3 nc Rad Co.

bread & Co. 7% pc Red. Deb. 1969/94 William Collon Equip. 1.60
SURDAY AUGUST 7
DIVIDEND AND INTEREST PAYMENTS
Southern Phodesia 412pc 1987/82

#### Trade Fairs and Exhibitions: UK

August 7-10

Furniture Show (01-724 0851)

G-Mex Centre, Manchester

G-Mex Centre, Manchester

Business Design Centre August 12-13
Cash and Carry Fashion Fair August 27-29
Town and C Town and Country Festival (01-727 1929) Kensington Town Hall (0203 696969)

August 14-18 Gifts Fair (0895 272010) Hove Town Hall International Menswear Fair – MAB (01-437 8754) August 16-18 Home Entertainment Dealer

Show - HEDS (021-780 4171) NEC, Birmingham August 18-21 Antiques Fair (0444 459917)
Kensington Town Hall

#### **Overseas Exhibitions**

August 28-31

September 16-24

Show(0703 737400)

August 16-18 September Machinery, Factorial Week (11-937 8050) International Machinery, Factorial Exhibition MECT-

Helsinki August 25-28 Office Equipment, Technology and Computer Systems Exhibition (0494 729406)

Taipei September 4-10 International Autumn Fair

British Marine Industries Fed-

eration International Boat

### **Business and management conferences**

August 1-5 Management Centre Europe: The fundamentals of finance and accounting for non-financial managers (Brussels 322 5161911)

Brussels 15th International Small Business Congress (Helsinki 358 0

Helsinki August 30,31 and September 1 Financial Times Confrences: Commercial aviation to the end of the century - Expansion in an era of accelerating change (91-925 2323)

Hotel Inter-Continental, Sentember 8-9 --CBI: Increasing your sales to the Ministry of Defence (01-379

Centre Point, London WCI. September 8-9 The Industrial Society: Industrial relations for new managers (01-262 2401)

Central London September 12 CBI/Marketing Society: Mastering the market (01-379 7400)

Centre Point, London WC1

September 22-23

The Institute of Chartered

September 13 Accountants: The 1988 Indus-CHI Conferences: European trial Tax Conference (0908 standards - Who needs them? 668833) (01-379 7400)

(0375 392222)

**Business Design Centre** 

Kenilworth

Earls Court

Southampton

197

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Angust 30-September I Crystalware, China, Ceramics, Traffic Engineering and Road Jewellery, Gifts and Furnishing Articles Exhibition - EURO-PACADO (01-434 1825)

### Centre Point, London WC1

Employment Research Unit annual conference : New forms of ownership - management and employment (0222-42588)
Cardiff Business School

September 16 The Industrial Society: Harmonisation - A one-day semi-nar to examine the principles and practice of harmonising terms and conditions of employment (01-839 4300) 3 Carlton House Terrace, London SW1

September 16 Hawksmere: Insurance aspects of property investment and development (01-824-8257)

September 20 CBI Conferences: Your annual report (01- 379 7400) Centre Point, London September 21-23

International Chamber of Commerce: Investing for growth opportunities in worldwide deregulation trends (Paris (1) Istanbul 45.62.34.56)

September 22-23

Holiday Inn, Leicester Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

### Swindon computer centre

MANAGEMENT has won four contracts totalling more than £17m. The company has been appointed designer for a £10m computer centre at Swindon for the Department of Health and Social Security. The project is due to start in October. Work has started on the design store for Tesco Stores at North-

wich, Cheshire. Valued at

ing Merc. Inv. Tat. 3.5pc Pf 1.75p

50
Do. New 16pc Pf 1.88p
Johnson, Matthey 4.5p
Kernip (P.E.) 0.5p
Kernip (P.E.) 0.5p
Lew Sekenture 3.85pc Pf 1.925p
LewiskJohn) 5pc Pf 1.75p
Do. 7pc Pf 2.45p
Uncoin National 59cts
Macallan-Glaniket 7pc Pf 3.5p
Newcastle & Gyteshead Water 45b 2pc

leb 2pc
Do. Spc Cors Deb 212pc
Do. Spc Red 1982/94 Apc
Do. 10pc Deb 1982/94 Spc
Do. 1112pc Deb 2004 54 pc
NICOR 47cts
NYNEX 101cts
Phoenix Timber 1.5p
Pleasey 4.27p
Property Partnerships 3p
Scottish Agric. Sec. 14pc De

Southwestern beautiful Mater Aspe; Sutton District Water Aspe; Do. 3.15pc Pt 1.575pc Tiger Oats \$12pc Pt 5.5cts.

500 Group 3.435p Status 7½ pc Deb 1985/90 3½ pc Southwestern Bell 62cts Sutton District Water 4.9pc 2.45pc

gn & Col. Inv. 7st. Spc Deb 1985/90

25.75m, the project is due for completion by April 1989. Work is due to start on extensions to the TV Centre, West London, for the BBC in a £750,000 contract, to be completed by Octo-ber. The company will be acting as management contractors for additional work for brick manufacturers, Blockleys, Telford. Work will involve provi-sion of additional kiln facilities and is valued at £750,000.

Alfred McAlpine Construction has been awarded six orders totalling more than £5.5m. They include a contract for a two-storey reinforced concrete structure to the first passenger satellite building at Stansted Airport, value 22.4m; and further work at the Stanlow Refi-nery for Shell UK, including construction of piled foundations for a pipebridge within existing pipetracks, value £1m.

Westpool Inv. Tst. 5pc Deb 1965/90 212pc Do. 54 pc Deb 1963/98 27pc Whithered & Co. 41ppc P1 1.575p Whithread Inv. 512pc Deb 1987/92 Witten Inv. Co. 2.7pc P1 1.35p Do. 61pc Deb 1989/95 31pc Young & Co. 8 prevery 4.2pc P1 2.1p Do. 8pc P1 4.5p TOMORROW

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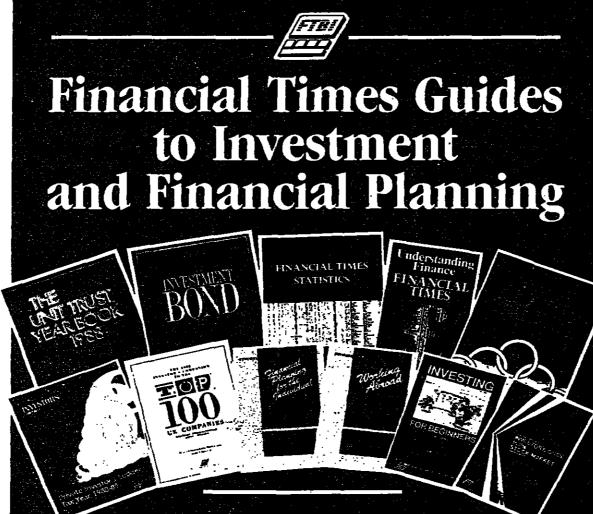
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#### ARMCHAIR ARCHITECTURE

### A summer to spend by a fire

Kenthal Colin Amery leafs through some holiday reading

his summer in England excludes the mass produced attributes of comfort. It has been ideal for and the ever-mechanical, and This book explores curling up in the less humanises the building protine level of both pro nogs by the fire with a good book. In other climes it has been much too hot to do more than lazily flip a few pages — actual sightseeing in August being out of the question. So here are a few of the lat-est grop of architectural books

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to take away. Some of them are primers to prepare you for the moment when you might have to find cool sanctuary in a city church; others are more specu-lative and philosophical. We all need to be inspired by

visions, and one that cannot fail to create some intellectual fail to create some intellectual excitement is Leon Krier's dream of building a lost city of Atlantis on the island of Tenerite. (Atlantis by Leon Krier. Archives d'Architecture Moderne in Brussels.) This slim book, illustrated by Krier's wife, Rita Wolff, and painter Carl Laubin, presents images of an ideal town built on the steep and sunny hills of Tenerife on a five-hectare site. Sea long

This is not merely a pipe dream. Three Germans, Helga and Hans-Jurgen Muller and Peter Kloss commissioned Krier to create an academy —

Krier to create an academy —
a small town where artists, scientists, thinkers, patrons and
students will gather — and
they plan to build it.

This proposal is the antithesis of the late 20th century
megastructure: instead of one
giant bulk, Atlantis is at least
100 buildings or savieed biers. 100 buildings organised hierar-chically, with public and sacred places being distinct from private and utilitarian. In architectural style this new city will be strictly classical; it is also monumental, with a skyline pierced by towers, pyramids and obelisks.

Krier aims to restore the balance between man and nature and man and architecture. This is achieved in Atlantis not n ogendig 🕻 merely by the revival of crafts manship and the use of natural materials, but by an emphasis on the entire urban fabric. It is wrong, in Krier's view, to create isolated constructions that are destructive of the total

Classical for him means a rehabilitation of the Gracco-Roman Mediterranean tradi-tions of construction. This

cess. I agree with Krier when he writes that the man in the street understands perfectly street understands perfectly
what "classical beauty" is without necessarily being able
to put it into words. A glance
at this book provides the idea
with visual form, and there can
be no doubt that Krier offers
us a visionary beauty.
Another book which exposes
the fundamental nowers of

the fundamental poverty of many modern architectural loss is Home. A Short History of an idea by Witold Ryliczynski (Heinemann, Lomion, £12.95). This book by a processor of architecture in Camada is sor of architecture in Canada is a fascinating exploration of the idea of comfort. He revealingly points out that thiring his modern architectural training comfort was not an idea that was ever mentioned. We have all suffered from the extreme views of modern architects and their unconspromising tendency to know what is best for you. The life that you may not like complete walls of glass or windows, that cannot be opened does not shift the dogopened does not shift the dog-

opened does not sain the dog-matic architect.

I remember well my first visit to The Glass House in New Cansan, Connecticut, to have lunch with its architect. Philip Johnson. When I asked him where he stept and where he worked the answer was in small separate conventional pavilions away from the goldfish bowl life of The Glass

Mr Rybczynski explores Mr Rybczynski explores interestingly the changing idea of comfort. In the 17th century the accepted view of comfort seemed to mean privacy, domesticity and infilmacy. Leasure and ease seem to typity the 18th century, while the Victorians began to be fascinated by mechanical things like plumbing, light, heat and ventilation. At the same time the Victorians had an almost senti-Victorians had an almost senti-mental enthusiasm for cosiness and over-decoration.

The 20th century has tended to stress efficiency and conve-nience in the home, with the decline of servents and the rise of the machine. But comfort is about domestic wellbeing and has to be seen, in the author's words, as a layered onion cov-

This book explores ideas at the level of both professional theory and the reactions and definitions of the consumer. It is a fascinating and provocative book that confirms what we always suspected: that the definitions of architects and engineers of comfort and convenience are

never adequate.

In The Prince and the Architects by Charles Jencks (Academy Editions and Rizzoli, 25.35) we have the opportunity of seeing where the heir to the throne stands on architectural matters by reading his col-lected speeches, with a com-mentary by Mr Jencks. Whether or not you see the Prince of Wales as "ill-informed" or "the conscience of the nation" this book offers you a lot of evidence upon

which to make a judgment.

Mr Jencks's analysis of the royal role and his insistence upon "the new-wave monarchy" is highly speculative and impocent of constitutional questions. It is hard to squeeze the Prince of Water into any of Mr Jencke's estates. into any of Mr Jencks's categories of architectural thinking - and that of course is the virtue of a monarchy that is itself hard to define. A good sommer read that will add fuel to the architectural debate.

No summer reading party is complete without a solid hamp of architectural history. Guarino Guarini by R.A.Meek, (Yale University Press, £35.06) is good, sound and very instructive. It is also beautiful to look at. Guarini (1642 - 1683) was the most brilliant of the late Ralian Baroque architects - his work in Piedmont and particularly Turin is dazzling. The openwork dome, the fluid spire, the almost islamic use of pattern and geometry - all characterise Guarin's work.

This book bases much of its

argument on Guarini's own writing, and his unpublished and complex drawings. It is a very rewarding book indeed. While it is sometimes technical and over-detailed as an exploration of the development of the Baroque, it is hard to fault it. Guarini was the most complex genius — artist, scholar and priest — and the search for him through his work is a worthwhile and rewarding one.



Theodore Baerg as Ramiro and Anna Steiger as Concepcion

### Ravel double bill

GLYNDEBOURNE

For Ravel, a dapper man who delighted in everything small from Siamese cats to miniature Japanese trees, there was no reason why operas should be written on a scale larger than anything else, and his two pieces in the genre - L'Heure espagnole and L'Enfant et les sortilèges - are exquisite little gems that only he could have

The prospect of seeing them at Glyndebourne, the most inti-mate of all our opera theatres, should be enough to buoy up any Ravel enthusiast on a wave of expectation. The exist-ing pair of productions by Frank Corsaro (director) and Maurice Sendak (designer) was first seen at last year's festival and did not meet with unanimous approval at the time, but even if one approaches this revival forewarned by some of those reports, it is difficult to escape a feeling of sinking dis-appointment as the evening

There is a danger in each of tese operas of letting the artifice that exists on their surface obscure the human feelings that lie below, and it is into this trap that the productions have fallen. Sendak has pro-

It is difficult to think of a pair of operas more perfectly suited to Glyndebourne than these. vided settings that are constantly eye-catching in their detail and sheer magic when vined settings that are con-stantly eye-catching in their detail and sheer magic when that is required, but at the point where the visual delights should be harnessed to the plot, something has gone

> In L'Heure espagnole this perhaps matters less. The intri-cate clock mechanism of the set (cock crowing and nodding skeleton atop the clock face) is not inappropriate to a piece that is all about timing and ecision, though the arrival of precision, though the arrival of the characters like mechanical figures on the strike of the hour is constantly infuriating; and there are well-observed portrayals from Anna Steiger as a bright and vivacious, if never quite smouldering Concepcion, Theodore Baerg as the muleteer Ramiro and Thierry Dran, a ringing tenor Gon-

For L'Enfant, though, the mistaken balance of the production ultimately proves defeating. It is typical of Ravel, who seems to have found some difficulty in forming lasting adult relationships, that he should have written his most deeply personal statements in music that deals ostensibly with children, animals, or even (as in the first half here) with inanimate objects; and this production is unwise to have

presented his sleight of hand less than truthfully. Martine Mahé, in her British debut, makes an engaging Child, but Corsaro has pro-

vided little in the production with which she might build a relationship. The Sofa and Armchair are played by dancers, while the vocal parts (Hyacinth Nicholls and François Loup – a lively duo) are sung in the pit; and Fire, delicately sung off-stage by Nan Christie, has become a mere projection on a front screen. The naughty child shows no fear of them (he actually plays with the fire) and seems to have no lesson to

Any cumulative progress of feelings, of past misdeeds understood and values reappraised, on which the opera is founded, is thus left to the music. This is in the spirited hands of Graeme Jenkins, who gets respectable playing of Ravel's fastidious scores from the LPO. The words are mostly clear and there are some effective cameos among the many other roles from Fiona Kimm and Malcolm Walker as the two cats and Harolyn Blackwell, a lyrical Princess. Only the humanity that should breathe life into them all is

Richard Fairman

#### **SPONSORSHIP**

### Minister purrs at money for museums

The Minister for the Arts, Mr Richard Luce, was purring last month at a lunch organised to celebrate yet more sponsorship for the V & A. Mobil has pledged £120,000 over three years to provide new guides, a map and other prerequisites, part of the museum's "visitor care" initiative.

Mr Luce referred to the remarkable week when three museums in London, the Tate, the National Gallery and the V & A received between them £8m in new sponsorship money, mainly for the refur-bishment of galleries. It made his task seem much easier. To a great extent the muse-

ums are in a cleft stick. They are proving remarkably successful in getting sponsors' money but their annual grants are increasingly eaten up by are increasingly eaten up by larger-than-budget pay increases, approved by the Government. By 1990 their grants will fall below their expenditure. Sponsorship just cannot make up the difference. Joe Earle at the V & A reck-

ons the museum needs up to £4m a year in sponsorship to make good its revenue short-fall. It expects to bring in £1.5m in 1988. It has been relatively successful in getting cash for the refurbishment of galleries, most recently £1.25m from Mr T.T. Tsui for a new Chinese gallery, but much still remains to be done, especially in the done. in the down at heel upper gal-

It is easier to attract support for temporary exhibitions. All three current shows at the V & A are being sponsored - by Habitat, Conoco and Harvey Nicholls - and more and more companies now expect their marketing departments to make a direct comparison between the fairly modest cost - around £15,000 - and the likely return in media coverage

and audience recognition. The current surrealism exhi-bition backed by Harvey Nicholls is proving particularly successful, and the 40,000 visitors to date make it a cheap buy compared with TV or print

media advertising.

But there is less glamour in refurbishing galleries even if they perpetuate the company name. And when it comes to new air conditioning and drains even the V & A must sadly give up on its sponsors and look to the Government for a final solution.

\*\*\* The Government's success in instilling a self help mentality into the arts is bearing fruit. initiatives emerging but the aspiring drama group or dance company now looks to sponsors rather than local Government or a Regional Arts Association to bridge the gap between expenditure and box

office revenue.

One of the most enterprising is Blackheath Concert Halls, set up in 1983 but already challenging to be a major musical force not only in south east London, but throughout the capital, and ultimately nation-

It is a fascinating story. The halls were actually founded in 1895, and until 1939 were one of the major musical venues in London, playing host to Elgar, Solomon and Kreisler among other musical greats. After years as Government offices they were rescued by conserva-

The small hall, seating 200, is already up and running, the search is now on for £1.5m to restore the large hall, which accommodates 700. Discussions are well advanced with a recording company, and, boosted by some taxpayers' money and sponsorship, it is hoped to hold concerts there

In the meantime the small hall flourishes, thanks entirely to sponsors, whose support for the venture has risen from £17,000 to £78,000 in a year. Fifty concerts are now mounted, slotted into festivals. Each is sponsored, most notably by Wiggins, a property development company active in the nearby Docklands, which put up £22,000 for a Pro-kofiev Festival in the autumn. This first time sponsorship qualified for a matching £20,000 under the Business Sponsor-ship Incentive Scheme

City Corp, backing a music theatre programme for schools, and Volvo, underwriting the Lindsay Quartet in a Septem-ber Festival, are other support-ers. General manager Alastair Creamer already talks confidently of Blackheath as home for a major company with fifty performances a year, including small scale opera, in the large

The Edinburgh Festival starts on Sunday week - and Wendy Stephenson starts to pack her bags. For three years she has raising its sponsorship money but after she has seen this Festival through she is quitting. She is switching to Glasgow, which is gearing itself up to be Europe's Cultural capital in

The Edinburgh Festival is very dependent on sponsors, who this year are putting up around £520,000, more than the Scottish Arts Council or Edinburgh City, and who are cru-cial to a Festival which has a turnover of just over £2.5m.
This year forty five compa-

nies are contributing something, over twice the number in 1985, but what is perhaps most interesting is the variety of the aid.

British Telecom, for example, is giving some cash, but of more moment is the £7,500 worth of training consultancy it offered to the Festival's box office staff. In the same way Eurocar keeps the artists mobile; the Post Office provides free postage, the Shera-ton is laying on a party for the three hundred artists, and British Airways is providing £10,000 worth of air tickets.

Equally beneficial are the parties hosted by the Bank of Scotland, with Bollinger supplying champagne. There will be three for this year's sponsors but also invited are potential backers. Pringle Knitwear and BT are current sponsors who became hooked through this soft sell.

There is an Italian theme to the 1988 Festival and the city's Italian connections have been prodded into action. The delicatessen, Valvonna and Crolla, is putting up £6,000 to support a Neapolitan entertainment.

Of course the big sponsors continue to be the banks, like the Royal Bank of Scotland with aid valued at over £40,000, but Wendy Stephenson feels that the largest financial community outside London does very little.

\* \* \*
Last week the London Symphony Orchestra announced that Takeda Chemical Industries of Japan is to sponsor the orchestra's tour of the US and Japan to the time of film - the largest ever sponsorship for such a tour.

Antony Thorncroft

### Zemlinsky, Mahler

a pair of concerts at the end of last week. On Thursday it appeared with its chief guest conductor, Bernhard Klee, and on Friday under Kurt Sander-ling. The principal works in the two programmes were neatly paired: Kiec conducted Zemlinaky's Laric Symphony, and Sanderling Mahler's Das Lied con der Erde.

Because both works are "song symphonies" conceived within the context of late Austro-German romanticism.

Austro-German romanticism, and both set oriental texts, there is a natural inclination to treat them as clones, and to regard the less individual Zemlinsky as having pirated the genre from his Visanises elder. That is true up to a point — it would be foolish to pretend that Mahler's precedent was not of vital importance to Zemlinsky, who unashamedly acknowledged the model. But, as these closely judianosed performances emphasised, the two works diverge markedly not only in musical language but

The BRC Philharmonic in philosophics and literary more impressive David I have always been faintly whine usually employed to chords at such omens as magnetic transported by the intended level address feeble-minded infants pies or shoes placed on the content - the ecstatic leave-taking and regretful embracing of death in Mahler's heavily revised Chinese texts is far removed from Tagere's explo-rations of the contradictions of erotic love that Zemlinsky sets. The Lyric Symphony now deserves to be judged as an distinctive and significant product of the tradition in its

The sharply differentiated characters of the two works emerged strongly in these fine performances. The BBCPO played superbly for both con-ductors, and on this kind of form rivals its more celebrated form rivals its more celebrated London sibling, perhaps currently outpointing the BBCSO even in the refinement of its strings. Kiee's view of the Lyric Symptony is a dramatic, almost: Wagnerian one, in which the contributions of the two soloisis - dramatic soprano and high battone - is enjoined as a Wolking like dialogue. The singers here were Anne Evans, assured and thelilogly secure in the climates, and the ever tained tonal quality in the symphony's quieter sections was compelling.
Sanderling's view of Das
Lied is unfamiliar in Britain,

though the existence of an East German record of the work has long been remoured. It is on this evidence a masterly one. The approach is mea-sered, and the tenor John sared, and the tenor John Mitchinson ne doubt reliabed the breadth Sanderling allowed him: his articulation was unfailingly clean and distinct. Yet the transparency of the textures and the certainty of the instrumental lines kept the music buoyant and always in motion; even in the "Abschied" the effect was crystalline, with-out a hint of lingering indulgence. The mezzo-soprano was Carolyn Watkinson, an ideally chosen voice for Sanderling's perceptive objectivity, and her combination of poise and controlled restraint was exactly

Andrew Clements

### **Blood Brothers**

puzzled by the intended level of Willy Russell's musical melodrama about twin Liverpool brothers separated as babies whose paths cross in friendship and finally bloodshed. A plot that no sophisti-cated audience since 1890 could take seriously is unfolded with a creakiness that would make the author of *The Corsican* Brothers blush.

Presumably serious overtones - poverty, inner city deprivation, economic pressures on morality - are drowned by gallumphing facetious-ness, banal pop settings and sheer bathos. These depressing characteristics notwithstanding, the show is back in the West End after a nationwide tour.

A second viewing confirms that there is nothing more embarrassing than adults cavorting around in short trousers or frocks pretending to be children. The whimsy is laid on more thickly than the scouse accent (mercifully; there is a limit to the sing-song

that an audience, even that for a British musical, can take). Depths are plumbed by a juvenile monologue in rhyming couplets with the refrain "I'm nearly eight", squeakily intoned, of the sort that Stanley Holloway might have

The show is back complete with its banal settings

and sheer bathos recited at the end of the pier 70

years ago.

Both brothers are truly awfully played as kids, rather more bearable as adults. But they struggle against the inept rhymes of Russell the lyricist, monotonous wistful throb of Russell the composer and sticky mix of poetic porten-tousness (superstitious shrieks, dimmed lighting, ominous

pies or shoes placed on the table) and Workers' Playtime humour of Russell the author. Chief interest lies in the casting of Kiki Dee as the

impecunious mother who gives a baby away. No less improbable than her predecessor in the role, Barbara Dickson, as an abandoned, uneducated, debtdriven drudge, Miss Dee is a bit livelier and less statuesque, but no better at saying lines as if she meant them. The voice has a veiled husky quality, and she hints at raunchiness kept severely in check - at such up-beat moments like the "Bright New Day", when they leave the slums, the show comes to life. Voices are adequate; they

should be since they're ampli-fied. Con O'Neill and Robert Locke are the separated boys, respectively caricaturing scouse urchin and posh child. Bob Tomson directs on Marty Flood's set, and everything is toe-curlingly lovable.

New York

Martin Hoyle

#### July 29-Aug 4 ARTS GUIDE

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**FINANCIAL TIMES** 

#### MUSIC. Lendon

RBC Sympheny Orchestre, conducted by Lotinar Zagrosek, with Ann Murray and Elizabeth Lauraince, metzo sopranos. Schoenberg, Debussy, Michael Phraissy and Schoenberg, Debussy, Michael Phraissy and Scrabin. Boyal Albert Hall (Tue). 1988 2212).

RBC Welsh Symphony Orchestra, conducted by Bryden Thomson, with Jean-Philippe Collard, piano. Proko-Lev, Tcheskovsky, Hoist and Walton art. Christopher Palmer. Royal Albert Hall (Wed).

London Handel Choir and Orchestra, conducted by Denys Darlow, with soloists including Gillian Fisher.

Rmms Kirkby, Marganet Cable and Michael George. Handel L'Allegro, Il Pensuroso ed Il Moderato. Royal Albert Hall (Thur).

Lionel Rogg, Organ. Bach, Frescob-aldi, Messiaen, De Grigny, Lionel Rogg, Saint-Germain-des-Près church

July 29-Aug 4 OPERA AND BALLET

London Lenington State Efror Bellet moves to the Sustness Design Centre in Islington. Not to be missed. Royal Opera House, Covent Garden. Australian Bellet season continues. Collectes. Depor Teacher of Harlem. Royal Festival Hall, London Festival Bellet in Swan Lake.

Home di Caracalla. Deniel Oren con-ducti Silvia Cassina's production of Aida, with Rena Tokody alternating with Aprile Millo in the title role. Mirns Pecile (and Bruns Bagiton) as Amberia, and Ghasppe Giacombil and Nicola Martinucci alternating in the part of Ramades. La Fanctulla del West is conducted by Pinchas Steinberg, with Giovanna Casolia as Minnie, Silvano Carroli and Giov-

7 pm). Pro Cantione Antiqua. De Lassus, Palestrina, Saint-Severin church (Wed 8.30 pm). Camerata de Versailles, conducted Camerata de Versailles, conducted vith Daniel

Camerain de Versallies, conducted by Amaury de Closel, with Daniel Bourgue (horn) and Christian' Debrus (piano), Haydn. Anditorium des Halles (Thur 830 pm). All the above are part of the Pastival Estival (63.04.98.01; answering machine in English around the clocic 47.20.88.99).

Amsterdam William and Many candiclight concerts. The Gabriali Consort under Paul McCreech, with a programme of Turner, Humfrey, Blow, Purcell (Mon). Christ Church Cathedral Choir conducted by Stephen Darlington, with Simon Lawbord (organ), Purcell (Thur). Concertgebouw, Menwe Kerk (Dam Songre).

ami de Angelis alternating as Jack Bance, and Verlano Luchesti (and Nicola Martinucci) as Dick Johnson. Also this week, Chelle in the original version by Giovanni and Jules Perrot, conducted by Alberto Vennus.

Trieste Teatro Verdi. The Merry Widow, con-ducted by Rudolf Bibl and produced by Gino Landi, with Luciana Serra, Damiele Mazznosto and Max Rene Cosotti. (382,554).

Ravenne

Le Maschere, conducted by Gianliugi Gelmetti and designed by Maurizio Balo, with Emzo Dura, Maria José Gallego, Angelo Romero and Gluseppe New York

State Theater, Lincoln Center. New York City Open. The week features

the first performance of Lotfi Man-sourt's new production of Il Barbiere di Stylgifa, conducted by Sargiu Com-issiona, along with the season's new production of Rigoletto, conducted by Elio Boncompagni and devised and directed by Tito Capobianco. (456 0000)

Hiroko Nakumura (piano), NHK Symphony Orchestra, conducted by Yuzo Toyama. Beethoven. NHK Hall, Shibuya (Mon). (465 1781). Relementi Institute Chamber Chair. Sibelius, Messiaen. Suntory Hall (Tue). (780 5400).

IBM Atrium, 56th & Madison (W 12.30 mat).

Tokyo

600). Alice Tully Hall, Lincoln Center. Alice Tully Hall, Lincoln Center.
Paul Krasmer, Philip Glass, Allen
Glusberg, Karen Finley and Frank
Maya. The performers, poet and composer appear as part of the Serious
Fun Festival. (The). (382 1811).
Lincoln Center. Out-of-Doors Festival.
The month-long free performances
in the plazan and Damrosch Park
begin with the Paul Taylor Dance
Company. (Wed, Thur 8.15). (877 2011).

Kan't Hoken Hall, Gotenda. World Ballet Festival. A biennial jamboree featuring some of the world's top dancers: Bujones, Cregan, Dupond, Alonso, Evdokimova, Glasco etc. From Thursday. (725 8888).

## London Symphony New York Mostly Mozent Festival, Emerson String Quertet, plus Heinz Hollinger (obce), Lilian Kallir (piano), playing Haydn, Mozant, Reicha, Beethoven (Mon), Mostly Mozant Festival Orchestra, with Gerard Schwarz conducting, Jean-Pierre Rampal (Bute) and Stephen Hough (piano): Prokofiev, Mozart, Hummel (Tue, Wed). Shlomo Miniz (violin), Pimchas Zukarman (viola), Ralph Kirshbaum (Cello) and Yefim Bronfman piano: Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (874 2024). Juffllard Concerts. Nostalgia: American Trombone Quartet performing music of the 1940s. Free concert at IBM Atrium, 56th & Madison (Wed) Orchestra

BARBICAN HALL

What Salzburg is looking forward to next week, London audiences have been lucky enough to preview already. The London Symphony Orchestra remains the only British orchestra to have been invited to the Salzburg Festival - a coup which gives it a feather in its cap more than its rivals and this year's visit will include a repeat of this essentially Spanish concert given by Alicia de Larrocha and Rafael Frühbeck de Burgos.

If last night's performances were meant to be a pre-festival run-through, it is difficult to see how they can get more sparks to fly on the night itself. Through a pair of long and dis-tinguished careers this pianist and conductor must have been called together to play the music of Spain, and of De Falla in particular, more times than they care to remember, but they never allow any suggestion that it has started to go stale for them.

In Falla's two suites from The Three-cornered Hat Frühbeck de Burgos galvanised his musicians into playing of a fierce, blazing heat that fired commitment in every bar; while the more relaxed and nocturnal warmth of the same composer's Nights in the gardens of Spain could ask for no more evocative or idiomatic an

account of its rhapsodic beauties than it had here. There is a world of freedom

in this latter piece that sounds so natural when it is played by artists who feel it instinctively. The way De Larrocha shapes the phrases of the solo part can come only from growing up with the score and knowing the style from the inside. The strength of the work, and its latent passion so forcefully stirred by De Burgos' accompaniment, have never sounded more convincing.

In the first half of the programme we edged slowly closer to the performers' home ground. The music of Ravel lies only just across the border with Spain and his G Major Piano Concerto has long been a favourite in De Larrocha's repertoire. Her interpretation of it is perhaps less keenly felt than one might wish (how inwardly intense Michelangeli seems by comparison, how outwardly so Martha Argerich) but it bears a straightforward integrity that

has its own appeal. For his part, de Burgos opened the concert with an equally unexaggerated, rhythmical account of Stravinsky's Divertimento from The Fairy's Kiss. Salzburg is in for an exciting evening.

Richard Fairman

### **FINANCIAL TIMES**

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Monday August 1 1988

### The Yugoslav time bomb

IT IS A sobering thought that the most vulnerable East European economies, the ones most often in need of international propping up or bailing out, are those most receptive to, and ready to implement, the sort of ready to implement, the soft of economic liberalisation mea-sures championed by Mr Mik-hail Gorbachev. Albania, Romania, Bulgaria and East Germany, the most rigidly Stalinist of the centrallyplanned economies, are not the ones who turn, cap in hand, to

It is Yugoslavia, Hungary and Poland, who have flirted with economic decentralisation, market forces and a relaxation of foreign trade restric-tions, that need the

international rescue packages.
Once again the international financial community has come to the aid of the Yugoslavs with a draft agreement to res-chedule \$7bn of its \$21bn foreign debt. The agreement, reached in New York earlier this month between the Yugoslav Finance Ministry and representatives of 450 Western creditor banks, is expected to be concluded formally in September. It follows a new stand-by arrangement with the International Monetary Fund, which came into effect last month, and the conclusion of a rescheduling agreement with the Paris Club of Western governments, signed earlier this month.

Weak government

However, there is no reason to believe that these efforts to ease the pressure on Yugo-slavia, with its soaring infla-tion, crippling foreign debt, record unemployment and mounting social and political unrest, will prove any more successful than similar efforts in the past. Yugoslavia's weak Federal Government has made

little attempt to disguise its inability to deal with the crisis.

The OECD, in its recent report on the Yugoslav economy, suggested that, in some areas, it might be best if the Government left well alone. The less government interference in investment decisions, the greater the chances of moving towards a genuine market economy, to the benefit of the whole country, it said.

The structural flaw, which sabotages all Yugoslav attempts to resolve economic problems, is the nature of the federal system. The eight mini-nations which call themselves Yugoslavia often demon-strate even less sense of com-mon purpose than the 12 members of the European

Unprecedented industrial unrest in Croatia and mounting political unrest in Slovenia - the two most prosperous republics, enjoying near-Austrian living standards - are symptomatic of the unwillingness of the individual republics to accept responsibility for resolving the problems of the

#### **Buffer zone** It is this irresponsibility that

Western capital sustains. Until now, the strongest argument for continuing support has been that non-aligned Yugoslavia was seen to have a cru-cial role as a buffer zone between East and West and as an independent voice in the East European socialist camp. The decline of American influence, the advent of Mr Gorbachev, the demise of the Brezhnev doctrine and the pro-found changes in Soviet for-eign policy resulting from a preoccupation with severe internal problems have made Yugoslavia's East-West stabilising role somewhat less important. It may well be time for Western creditors, banks and governments, to start asking themselves what they are subsidising and in whose inter-

It may also be time for the other Yugoslav republics and provinces to begin examining the questions that the Slovenes and the Croats have been posing. Are the benefits of federation tion worth the heavy price that is being paid for them and what can be done, short of the politically unacceptable option of completely dismantling the Yugoslav state, to deal with the fundamental problems facing the country?

Yugoslavia's economic crisis and the inability of its political system to solve it, represent a time-bomb which will not be defused simply by throwing

### Still working on secrets

THE BRITISH Government's declared willingness to listen to counter-arguments from critics of its proposals for the reform of Section 2 of the Official Secrets Act 1911 is to be welcomed. The Minister of State at the Home Office, Mr John Patten, told the House of Commons on July 22 that "not every dot and comma . . . has been set in concrete." On Friday another Home Office Minister, Lord Ferrers, went fur-ther. "If we are not to have a reasonable measure of agreement," he said, "then we will get no reform." If this really is the official position, the Government deserves credit for taking account of the unease

about its white paper. The major area of disquiet centres around the need for greater scrutiny of the work of the security service. Britain is unique among Western democracies for the degree of absolute secrecy that it seeks to impose on its intelligence services. The net effect is that the Home Secretary and the Prime Minister of the day are the final repositories of public trust in the proper behaviour of security personnel. This cannot be satisfactory. It is an unacceptably overriding executive power. It has not been sufficiently modified by the appointment of a staff counsellor, Sir Philip Woodfield, as a court of last resort for memcomplain of some wrongdoing. For Sir Philip is ultimately responsible to the Prime Minis

#### Blanket coverage

In the absence of any mechanism for parliamentary scrutiny, the proposals for a new Section 2 that make it an offence for any member of the service, or any other designated person, to disclose any matter at all relating to the service (unless authorised to do so) should not be accepted in that form by either House.
A second important area relates to what Mr Leon Brit-tan has called "the blanket coverage of the criminal law on information obtained in confidence from other govern-ments or international organisations." In the weeks since the white paper setting out the Government's proposals was first published, such absolute

coverage has become widely recognised as unworkable. "I should be very surprised if the House were ultimately to be persuaded of the need for any such category . . . " said Mr Brittan. It is to be hoped that he is right. Similar concern has been expressed by others over the proposed classification of disclosures about telephone tapping as by definition harmful. The protection against abuse contained in the Interception of Communications Act 1985 is not robust enough to operate in total darkness.

#### Public interest

If either category - information from foreign governments or telephone intercepts - is to be retained, it should at the least be amended to require the prosecution to prove that serious injury to the national interest had been caused This would be within the

declared spirit of the proposed legislation, which is to restrict its ambit to areas in which harm has been done. The remaining area of major concern, a public interest defence, is the other side of the coin of proving harm. The white paper demolished such a defence. This seemed reasonable enough if it was doing so on the ground that you cannot judge a case on the basis of the motives of the offender.

The subsequent debates have made it plain that there is another, more fundamental, definition of such a defence This is that if the nature of the information disclosed is such that public benefit results, the offence should fall away. In most circumstances, including those pertaining to the secret service, there can be no inalienable obligation of confidence when it comes to the dis-closure of iniquity. If a crime or a fraud is committed, the deed and the perpetrator should be revealed. The Prime Minister recognised as much when she gave Parliament the facts about Sir Anthony Blunt, even though this might have embarrassed the service. On this central matter - that it cannot be criminally wrong to point the finger at iniquity – the jury should decide. If the Government cannot accept such an amendment, it would be better to withdraw the

entire proposal.

### Robert Thomson reflects on three years of change in China

he images of change are obvious in China: the Marlboro Man billboard greeting passengers at Shanghai railway station, the bulldozed back streets and crane-topped buildings of Peking, the peasant sitting atop an overloaded truck holding a newly purchased Japanese television set.

The images may be obvious — but they are also deceptive. To the untrained eye, China is simply another, albeit large, capitalist country in the making. That judgment is hardly contradicted by the inability of Communist Party leaders to define what will become of this work-in-progress, and their reliance on curious catch-phrases — the "primary stage of socialism" and "socialism with Chinese characteristics" — with the ring of rationalisation.

ness characteristics" - with the ring of rationalisation.

The mistake is to regard the employment of market devices and monetary incentives as a sure sign that the party has seen the light of capitalism. Another related mistake is to presume that all Chinese are enthusiastic about change. Old order cadres actively oppose reform, while the common man having accumulated. the common man, having accumu-lated a few material possessions, now feels that he has something to lose if reform goes wrong. The party still owns the means of production and has the ways and means of control-

ling society.
And yet China is on the road to somewhere. In the three-and-a-bit years that Peking was my home, the country was introduced to bankruptcy and beauty contests, credit cards and computer games, share issues and sex education in schools, land auctions and Shanghai-made Volkswagens. Stone-washed denim is in, and the Mao suit is fashionable

in, and the Mao suit is fashionable among downmarket hawkers wanting to enhance their respectability. Important and sometimes imperceptible changes are taking place in the minds of the masses, whose earnest faces appeared to blend seamlessly in the Maoist monochrome of a decade ago. They are now developing their own thoughts without the cridance of own thoughts without the guidance of the party and recognising common interests aside from the "common good" as defined by the leadership. A few weeks ago farmers blocked the release of polluted water from a reservoir, while go-slows by factory work-

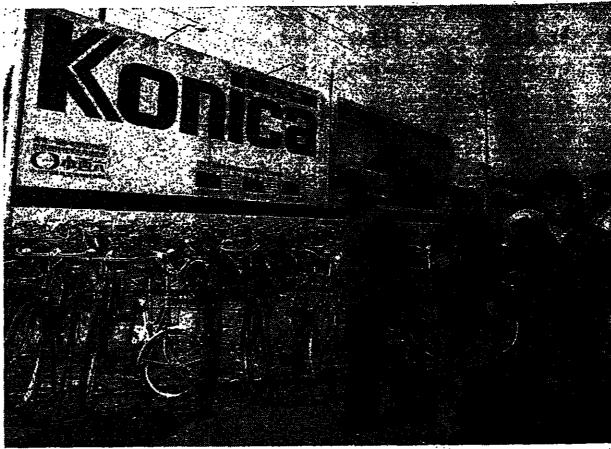
ers wanting pay increases have become the done thing.
One of the great ironies in a country saturated in the past by political information and education is the raised political consciousness of the present. In the party-political sense, most Chinese, particularly the young,

If China thrives, the international order will be altered. It could have the world's second largest economy by 2010

are fatigued. There is a sense that the

party has lost its mandate because of the "Great" mistakes since the 1949 Revolution – the Great Leap Forward and the Great Proletarian Cultural Revolution — though there is also a sense that there is no alternative. The ideological idealism of the masses has been spent and recent attempts to fill the void with a "com-

munist spiritualism", a selfless devotion to the greater good, have highlighted the crisis facing the party. Cynicism is a by-product. A young black-market money changer in Chengdu, in the south-west, explained that he would join the party when the time came to settle down. A Communist Youth League official said the movement is a "social club", more designed for convening disco-dance nights than meetings to discuss the latest batch of internal documents.



## Unknown quantity of reform

But the party can claim the present as a victory: rapid growth, interna-tional reassessment of China's place in the world and seemingly boundless potential industrial output is increas-ing at an annual rate of 20 per cent, though initiation is not far behind. If real per capita income rises annually by around 6 per cent, the country, as planned, will catch up to the industrialised nations around the year 2050.

Between now and then, a few fun-damental problems will have to be solved — apart from ensuring that 1.8bn tonnes of coal is mined and transported in the year 2000 to meet energy needs. Most of those problems relate to the party's perception of its role and its ability to adapt to the above as which it set in motion but changes which it set in motion but which are now forcing it to change. The lingering and virtually unanswerable question is: will the leadership lose its nerve? Will the country be turned round or will the party seek safety in stability, and thereby, inevi-tably, bring on stagnation? Nerve will be tested by the growing

sectional interest groups, and by pos-sible social unrest. Perhaps there will be large protests by disaffected workers, a prospect which prompted a review of security departments in recent weeks. Such unrest would also challenge the Confucian passion for order - "if the mat is not straight, one does not sit.

The party has recognised the need for internal reform, and is attempting to prise itself from the Government, though it has no intention of losing the last word. It has also embraced populism by commissioning opinion polls and christening complaint hotlines. It talks of the need for accountability and highlights the cases of cor-

to play with them.

rupt and incompetent officials. The public relations drive has yet to conwince the average person that the present mood will not change when a new, contradictory document is circu-lated among cadres, who will respond. accordingly. However, the party is now more sensitive to popular opin-ion than at any time since 1949, and public dissatisfaction is a major con-cern for those overseeing the intro-duction of price reforms.

The formidable party apparatus has been pointed towards reality since a landmark meeting in late 1978, but that does not mean it is fixed in place and that the apparatus cannot be turned around. A genuine change is that party members are more diverse. Over dinner, a young party member who edits the front page of a southern daily newspaper talked confidently and coherently of the need to encourand concretely of the near to extend age criticism, and argued for press reform that would separate newspa-pers from the party. Two days later, over dinner, the editor of another southern newspaper blandly recited passages from relevant party docusqueeze the "primary stage of social-ism" into answers to the most personal of questions.

The latter experience gave me that The latter experience gave me that old "nothing has changed" feeling, though this dissipates with a drive through rural China, where peasants have taken the phrase "jianguo" (build a country), rather literally and are building themselves new and sometimes comfortable houses. And it dissipates in the darkened hole-inthe wall bars where the young men have high-heeled individualism and permed hair, and the women are con-

tonic.
But if rural and urban Chinese reflect on reform, a sense of uncer reflect on reform, a sense of uncertainty about the future emerges. That is reflected in the neglect of infrastructure work in the fields, and the urge of the "getlhu" (the individual business person) to make a quick buck. The farmers wonder what will happen when Deng Xiaoping dies, and whether the party will turn on itself, as it did in 1976, when Mao Zedong's quest for revolutionary immortality ended.

The passing of Deng will mean the

The passing of Deng will mean the end of the "great leader" era and, if all goes according to his plan, herald the institutionalisation of leadership by technocrat. His nominal successor should be the present party general-secretary, Zhao Ziyang, though he will never have the absolute authority of Mr Deng, whose revolutionary pedi-gree is impeccable and who remains a living link between the old and new Chinas. Even Mr. Deng is unsure of what China will look like early next century and admits that he is "experimenting" without knowing what will forces with Marxism.

Dengism is built on economic

form, and will be discredited if this fails. The end could be slow and painful, with party leaders unable to take the hard decisions, which are surfacing quickly with 15 per cent inflation, a fast widening gap between rich and poor and the lack of a philosophical foundation for reform.

Reform's goals will need to be revised if the population control programme, which is intended to keep the number of Chinese to 1.2bn at the turn of the century, is unsuccessful,

while protectionism in the US or the while protectionism in the US or the European Community could undermine the party's export-funded modernisation ambitions.

Pollution posses a different kind of threat to the Chinese lifestyle and is already a serious mobilem in most

threat to the Chinese lifestyle and is already a serious problem in most large cities, though not serious enough for local governments to reconsider production priorities for the sake of the environment. Last week, Chinese scientists reported that aerial photographs of a northern city showed that it had disappeared from the giobe — pollution had enveloped the city.

Then sealn Zhao Zivang continues

the city.

Then again, Zhao Ziyang continues to lead the country towards the party's vision of paradise, probably something like the South Korea and Taiwan of a few years ago – double digit growth plus tight control over society. Of course, reform has a momentum of its own, as shown by the rapid change in Guangdong province, adjacent to Hong Kong, where the British territory is sub-contracting its production and 1,000 prostitutes were arrested in the first half of the year.

the year.

If China thrives, the international order will be altered. Around the year 2010, it could have the world's second largest economy. Even in the formative years of reform, it has bounced around metal and minerals prices, increased textile exports to the US by 70 per cent in a year, and turned round world wheat markets by mak-ing the difficult political decision to be more reliant on foreigners for grain needs.

Domestic issues such as Tibet and

Domestic issues such as Tibet and minority relations in Kinjiang, in the far west, will be a distraction, and have the potential to give the military more influence overall in policy making. The People's Liberation Army is an unknown variable, as the revolutionary link between party and military has been put under strain by modernisation and the generals must be tempted to exercise their strong opinions on the way the country should be run. Foreign policy should be less of a problem, with a Sino-Soviet summit a possibility late next year and the long-troubled relations with India beginning to improve.

The beauty of the past three years has been watching the Chinese people grow in confidence, and in seeing

grow in confidence, and in seeing grow in connidence; and in seeing individuals finding room for manoeuvre in the cracks appearing in the system. In Kunming, in the south, a taxi driver, like a taxi driver anywhere, complains about rising prices, the lousy local government, and the fact that its not safe to walk the streets at night. In Dali, an elderly

Important, sometimes imperceptible, changes are taking place in the minds of ordinary Chinese people

woman who spent the Cultural Revo-lution hiding in the mountains, has returned as caretaker of her just renovated Catholic Church. And anywhere in China, a young man or woman who spent the dark years studying English will want to experiment with conversation, their enunciation stiffed by the infrequency of foreign contact.

China still has the bad habits of backwardness. At hus stons, the young climb over the elderly for a place on an already overcrowded bus. Apart from anything else, poverty means not having enough buses. It is also a lingering mistake of the West to think that the Chinese are some-how different, and to presume that, for example, human rights issues here are not the same as elsewhere, and to

assume that hardship is taken for granted, that it does not hurt and frustrate the "inscrutable" Chinese.

 $: \emptyset$ 

#### The Old Lady shows off

■ You have to wear a hard hat in the Bank of England nowadays, or at least in quite a bit of it. For the construction men are in - not just drilling holes through the walls, as they have been doing for years, to keep the Old Lady up with the electronic age. This time they are building a museum and must have it finished for the official opening by the Queen

in November. The Bank had a museum already, but it was very small very private and did not even have a catalogue. The new one will be open to the public and may be the biggest and best central bank museum in the world. It was the joint idea of Governor Robin Leigh-Pemberton and his deputy George Blunden. Originally, the two men

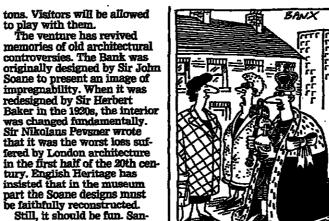
thought about creating it to celebrate the Bank's 300th anniversary in 1994. Then there was the great fire two years ago — and the insurance money to go with it. Although the precise sum has still to be agreed by the insurers, it must be upwards of £1m. The fire damage took place above the site proposed for the museum. It had to be repaired anyway, so it was decided to go ahead with the museum earlier than planned.

earner than planned.

"The old museum was about money," said a Bank spokesman. "This one will be about the Bank, its history and its role in the world." Not only will there be all the documents about its founding when it about its founding when it raised £1.2m for the King in 11 days; there will also be a
Doric temple to gold, containing real gold bars from the
vaults, some of them from
Roman times.

Part of it will be devoted
to the Beaut today. There will

to the Bank today. There will be live screens showing cur-rency and stock market movements around the world as they happen. The screens will be touch sensitive, not the old-fashioned ones with but-



"He got his golden handshake today."

in to manage the museum, talks lovingly about the Bank's three miles of corridors, 2,500 doors, 600 loos and says that doors, 600 loos and says that within its 3% acres it has twice as much floor space as the Nat-West tower. She also claims that the museum's facilities for the disabled, mentally and physically, will be better than anywhere else.

Admission will be free and the museum will he able to Scottish Homes, which is being set up by the Government to do for housing what the Scottish Development Agency has done for the Scottish economy. The intention is to make Scottish public housing a little less monolithic, allowing ten-ants to transfer from local authorities to other landlords. whether housing associations, co-operatives or commercial landlords, all of whom will

have to be approved by the agency. Owner occupation in Scotland is only 42 per cent against 64 per cent in England. Mellon, who has retained

a Scots accent, was born in a Glasgow council house and

is now buying a flat in Edin-burgh. He went to Glasgow University, from which he joined the Scottish Office and

later the Foreign Office. He was ambassador to Demmark before taking on his present

job, which he combines with

being Consul-General in New

Mellon's move ■ Sir James Mellon, Britain's Director-General of Trade and Investment in the US, is to exchange the life of a diploma in New York for the task of tackling Scotland's housing

the museum will be able to take about 250 people at once. The problem may be keeping them out, especially as a study of the Bank is included in the

new GCSE courses in history

and economics. "It's a very education-driven project," said

dra Lea, who has been brought

estates. Mellon, who retires from the diplomatic service at 60 early next year, is to be the first part-time chairman of



power in Burma from behind the scenes, but something has happened to his name. It means "rising sun", but only if Win is pronounced with a strong stress. If it is pro-nounced with a soft falling tone, it means "sunset". The soft falling tone is now in.

His experience of the US sug-

New Devon John Caff will be leaving the Confederation of British Industry towards the end of the year to be the first manag-ing director of the Devon and Cornwall Development Company. Caff, 51, has been director

of the economics section of the CBI since 1983. He was pre-

viously in the diplomatic ser-vice and the Treasury and his arrival at the CBI was regarded as an upgrading of the job.

John Banham, the CBI direc-tor general, must have had something to with the new appointment. Devon born. Corrishman by adoption, Banham rarely lets you forget that the area is a bit too cut off from the rest of the country. The Devon and Cornwall Company was set up largely on the initiative of English China Clays with prompting from the Prince of Wales. Its objective is to repeat the economic miracle in Britanny in the south west of England.

Professionals ■ Headline in a local newspaper: "Hooligans try to ruin Hamlet, but Amateurs suc-ceed."

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW APE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BLANK OF ENGLAND. OFFICIAL DEALMOS IN THE STOCKS ON THE MITERIATIONAL STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 1ST. AUGUST 1888.

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tranche of the relevant Stock, raising in all respects per passar with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision conserved in the final paragraph of this notice; the current provisions for Capital Gains like are described below. the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admixed to the Official List.

for each further tranche of stock to be admitted to the Official List, Copies of the prospectuses for 2 per cent Index-Linked Treesury Stock, 2006 detect 3rd July 1981 (as amended by the supplement to the prospectus dated 9th March 1982) and 22 per cent Index-Linked Treesury Stock, 2016 dated 14th Jenuary 1983 may be obtained at the Benk of England, New Issues, New Change, London, EC4M SAA. The Stocks are reprobble, and Interest is psychia half-yearly, on the dates shown below (provision is made in the prospectuses for stockholders to be offered the right of serly redemption under corpin circumstances):

2 per cent index-Linked Treesury 19th July 2006 19th Jimuery Stock, 2006 19th July 2006 19th Jul 23 per cent Index-Linked Treeury 28th July 2016 28th Jensery Stock, 2016

25 per cent annual intent measury 2501 July 2016 28th July Stock, 2016

8oth the principal of and the interest on 2 per cent Index-Linked Treasury Stock, 2006 and 21 per cent Index-Linked Treasury Stock, 2016 are indexed to the General Index of Retail Prices. The Index figure relevant to any month is that published seven months previously and relating to the month of lease of 2 per cent Index-Linked Treasury Stock, 2006 is that relating to November 1880 (274.1); the equivalent Index figure for 21 per cent Index-Linked Treasury Stock, 2006 is that relating to November 1880 (274.1); the equivalent Index figure for 21 per cent Index-Linked Treasury Stock, 2016 is that relating to May 1982 (322.0). These Index figures will be used for the purposes of calculating payments of principal and reasest due in respect of the relevant further transhes of stock: as provided for in the prospectives, the calculations will take account of the revision of the Index to a new base of January 1987 = 100 (on the old base the index for January 1987 was 394.5).

The relevant index figures for the balf-yearly interest payments on 2 per cent

The relevant index figures for the belf-yearly interest payments on 2 per cent index-Linked Treasury Stock, 2006 and 25 per cent index-Linked Treasury Stock, 2016 are as follows:

The further tranches of 2 per cent index-United Treasury Stock, 2006 and 2j per cent index-Linked Treasury Stock, 2016 will rest for a full six months' interest on the next interest payment does applicable to the relevant stock. 2 per cent index-Linked Treasury Stock, 2008 and 25 per cent index-Linked Treasury Stock, 2016 are specified under paragraph 1 of Schedule 2 to the Capital Sains Tex Act 1979 as git-edged securities burder current legislation examps from tex on capital gains, irrespective of the period for which the Stock is held).

Government stetement
Attention is drawn to the statement issued by Her Melessy's Trassury on
29th May 1985 which explained that, in the interest of the orderly conduct
of facel policy neither Her Melesty's Government nor the Sank of England
or their respective servents or agents undertake to disclose tax changes
decided on but not yet announced, even where they may specifically effect
the terms on which, or the conditions under which, these further tranches
of stock are islaued or sold by or on behalf of the Government or the Sank:
that no responsibility can therefore be accepted for any orelicion to make
such disclosure; and that such ornission shall naither render any transaction
Sable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND LONDON

here is no avoiding them. The blond, tanned and attractive models, seemingly fresh from the yacht club or the piste, stare out from the pages of West Germany's glossy magazines.

Nor is there any need for elaborate copy. Unlike the advertising for cars or gadgets, the message from the well-dressed and healthy-looking young men and women is clear. Top German dealgners and fashlon groups like Hugo Boss, Escada, Jil Sander, Wolfgang Joop or Mondi have become household names, and the pictures speak for themselves.

in recent years, their language has ecome increasingly international. become increasingly international.
Undaunted by the strong D-Mark and longer-established competitors in France and Italy, West German designers have been gaining ground in Europe and the US. Now they have South America and the Far East in

How have the Germans, with a steadily rising currency and some of the highest manufacturing costs in the world, managed it? And how is it, in a country known more for its post-war technical entrepreneurs like Heinz Nixdorf and Max Grundig, that it is the fashion houses which have seemingly taken over the entrepre

neurial torch? neurial torch?

The growth of German fashion is certainly impressive. Hugo Boss, which has become internationally known for its men's clothes through advertising and placement on popular television shows like Miami Vice and LA Law, lifted its sales by 21 per cant to over DM 500m (£157m) last year, while profits rose to DM 22.5m.

white profits rose to DM 22.5m.

It is a similar story at Escada, the Munich-based company that makes glittery women's sweaters and clothing under its own and the Laurel and Crisca labels. Bolstered by new products and acquisitions, Escada's sales rose to DM 366m last year from a lowly DM 50m in 1980, while pre-tax profits reached almost DM 26m.

Both Boss and Recade are now pub-

Both Boss and Escada are now public companies. Yet most top German fashion names, such as Jil Sander, a former model and fashion journalist who now runs a highly successful company making exclusive women's wear, have remained private.

Despring the differences in size and

Despite the differences in size and ownership, there are some strong similarities between the top German fash-ion groups which help to explain their extraordinary success in what should be an almost impossible task.

The winning formula has been a mixture of good, up-market design, high quality materials and manufacturing, some foreign production in order to contain costs, and prices which, if hardly cheap, are not outra-geous. To these, the Germans have added a characteristic reputation for consistency and reliability.

opment in Germany. I see myself a bit as the initiator," says Ms Sander in her cool white Hamburg offices. An enigmatic mixture of arrogance and shyness, she speaks candidly about how she sees her role in the rise of

German high fashion. "I did a lot as a precursor," she saya.

Yet despite their own individual achievements and strong in-house design abilities, Italy plays an impor-tant role for many of the leading Ger-man houses. Occasionally it is for design, almost invariably for materials, and sometimes for manufacturing

Italian fabrics, along with some from France and the UK, play a key role in Jil Sander's clothes. At Boss, Italian textiles have almost a monopoly because they are so "fashionable and creative," says Mr Konrad Jud, a young member of its managing board: Production is another matter. Both Boss and Escada concentrate much of their work in Germany, despite the high costs. Boss, based in Metzingan, a small town set amid rolling hills south-east of Stuttgart, has about 1,000 employees scattered among at number of factories and workshops in the town and its surroundings. Escada does virtually all the work on its top-line Escada range either at its own factory or through sub-contrac-tors around Bavaria.

The reasons are quality-based again. Quality is the most important thing for the Escada range and we can get that best in Germany," says Mr Herbert Hirtz, a member of its managing board with 20 years experience in the German rag trade.

All the top fashion designers have

so far eschewed production in the Far East, preferring other European Com-munity countries when it comes to manufacturing abroad. Italy is again

Quality remains uppermost even outside the homeland. Boss has a 30strong team supervising the foreign production from start to finish. "It's important for us that no one should be able to tell where something of ours was made," emphasises Mr Jud. It is as much in marketing and sales as in production that the Ger-mans are an object lesson. "Exclusivmans are an object lesson. "Exclusivity" is a catchword throughout — especially at top names like Jil Sander and Escada, whose customers need to have sizeable purses. Escada blouses cost anything between DM 300-500, while Jil Sander's pieces, which are not one-offs, but nevertheless are only produced in graph ways of 20-50 esc. produced in small runs of 30-50 as a minimum and 200-300 at most, can cost around DM 450 for a skirt and DM 1.500 for a dress.

Not surprisingly, "exclusivity" stretches to marketing too. Franchising, the preferred method, gives designers the chance to show their clothes to best effect in the right surprising while policyles. roundings while relieving them of



heavy fixed costs. Of the major brands, only Boss has avoided ownbrands, only Boss has avoided own-name shops in favour of its own domestic sales force and a network of exclusive agencies abroad.

Quick diversification is the Ger-

mans' other lesson so far. Spreading sales is essential for all high fashion designers, whose products can hardly be sold in volume in one place. Immediately neighbouring countries like France, Switzerland and Austria have usually been the first foreign targets. "We now have a very good share of the Belgian and Swiss markets for top quality clothes,". notes Mr Hirtz. "But there's not much growth potential left there." Thus growth potential left there." Thus other parts of Europe and the US follow. In 1977, less than a decade after the brothers Uwe and Jochen Holy reinvigorated Boss, it started selling

in the US.

There has been "practically continual" growth since, says Mr Jud. The film Rocky IV, which featured Boss remained fairly modest in the first three years, "really took off" after 1980 and now amount to some 10 per cent of the group's DM 520m annual

But excessive dependence on the US can have its problems, as Escada learned to its cost when the dollar started to slide in 1986.7. The company lost \$2.8m in the US in 1986, and currency concerns were soon reflected in its share price, which suffered as some investors took fright at a possisome investors that right at a positive parallel with Puma, the sports shoe and clothing manufacturer whose equity sourced on flotation only to crash as US sales slumped.

Escada's recent acquisitions of more domestically orientated, middle-market clothing companies like Schneberger and, this year, Kemper, reflect a desire to gain stability by raising the share of domestic sales in group turnover. But all the German designers, almost hrespective of their price bracket, are wary about the

future if dollar weakens further. All the fashion groups are trying to protect themselves from radical cur-rency swings by broadening their markets and their ranges. The Far East and South America are the two key future markets. "Hong Kong, Korea, Taiwan and Brazil have become increasingly interesting for Boss, says Mr Jud. Meanwhile, the temptation to capi-

talise on a name and diversify from clothes into accessories and even cos-metics or "lifestyle" products appears almost irresistible. Despite her company's relatively small size, Ms. Sander is one of the foremost exponents of this. The Jil Sander range has been steadily broadened to include not just women's accessories, but, increasingly, men's clothes and

Among the licensed goods sold under the Jil Sander label are glasses and ties. But it is cosmetics, manufacand ties. But it is cosmetics, manufac-tured by Beecham of the UK, which have carried her name — and heavily made-up face — into the perfume counters of top department stores around the world. Now Escada is thinking along the same lines, although it is still some way from a

decision, admits Mr Hirtz.

Will the Germans be able to maintain their momentum in the fashion business, or will a high currency and eventual lack of ideas lead to an inevi-table decline? Ms Sander has some reservations. She thinks German fashion has been pushed too hard, with too much euphoria in the press and at the regular Düsseldorf and Munich fashion fairs. The distanced myself a bit she says, explaining that her clothes are only shown in Hamburg and Milan now.

Mr Jud, whose company's clother appeal to a much broader spectrum, is more confident. But he agrees there seem to be fewer young designers in

seem to be fewer young designers in the pipeline.

One of the problems is the temptation for young designers to go abroad, to Italy, or especially to Paris. Mr Klaus Stellman, who owns Europe's biggest ready-to-wear women's fashion group, with dozens of in-house designers, says: "We need a fashion capital it is one of the biggest problems. When you have a fashion capital you get all the PR benefits too."

A little more pzzazz in Germany about fashion in general is what he would like to see. Making more room for fashion in the country's sober daily papers would be a start. But gaining support from the politicians would be better still. In subsidy-rich Germany, it is not state aid Mr Stellman is after, but interest. "In France, everyone looks at what Mrs Mitterrand wears. Before it was Jackie Kennedy. Who cares in Germany? We nedy. Who cares in Germany? We need to get public-opinion makers interested in the fashion lifestyle, then we can build up new creators."

#### LOMBARD

### The shopper's lament

By Christopher Parkes

LIME : are easy. No trouble, either, finding a Royal Stewart tartan how tie or a brass lion's head door knocker with matching footscraper. There are "niche" retailers in almost every Britsh high street, able to supply these specialist desires. Other, less glamorous esoter-

ica, such as whatsits, fish bones, slide mounts and even light bulbs are a different mat-

The whatsit is particularly tricky, it's the wobbly thing — about so big — which screws onto that funny little flange in the top left hand corner of the levatory cistern. Mr Ratchet the frommonger used to keep them in a box on the top shelf next to the mousetraps, and sell them at 4p a throw.

The boy wearing a lapel badge and a hlank look in the do-it-yourself superstore (which has driven Mr Ratchet out of business) would not know a whatsit if it was screwed into his earlobe along with all the other bric a-brac. in the absence of intelligible, advice, the shopper's only solution is to scour the miles of shelves among the garden furniture and Black & Deckery. There he may eventually find a £1.99 econopack of six whatsits — which could well turn out to be whosits when he prises them free of their obscuring

shrink-wrap.

Mr Finny the fishmonger used to be happy to supply sole bones and cod heads for stock or soun. But he has gone the way of Mr Ratchet; the fish counter at the supermarket sells only those species of fish which seem to have been born filleted, headless and swaddled in plastic parsky.

The 1980s retailer does not

mind slow movers in the checkout lines, but there is no place for them on his shelves. Items too small to carry a bar code strip or a regulation profit margin are either not available or sold in multip Where are the advantages. erising from the retailing revo-hution which began with the arrival of the self-service gro-

GREEN socks chains monopolising the food embroidered with silver lurex business, and matching one another more or less penny for

Of course the convenience of one-stop buying is a help to consumers. But in a country. where fewer than 40 per cent of women (who still do most of the shopping) are car drivers, the concentration of retailing has tended to make shopping a family affair which devours weekend free time. Rationalising this coercion, certain multiples have had the nerve to classify shopping as a leisure activity

Large stores offer an enormous breadth of choice in their merchandise, but relatively littie depth. This approach has produced openings for the niche retailers, which have waxed fat by selling nothing but socks, ties or underwear. But the less glamorous specialists like ironmongers have no future in nuts and bolts when their most profitable lines are being sold down the road by the container-load for less than they can buy them wholesale.

A small window of opportunity opened in the 1970s to allow entrepreneurs to open delicatessens. More recently, there were signs that the spe-cialist baker might have a chance of a look-in as the issue of "real" food emerged to enliven the duli old grocery

shut when the supermarkets latched on: they adorned their stores with traffic building deli counters and perfuned the air with in-store bakeries, Cream-ing off a crucial proportion of the interlopers' potential clien-tele, they seduced shoppers with convenience — and rewarded them with pale, mass-market syntheses of the delicatessen and the craftsman

baker's shop.
Despite corporate claims, the benefits and advantages of the retail revolution devolve almost entirely on the side of the multiple retailer. They are moving increasingly in that direction as the shift of the shopkeeper's primary responsi-bility — from individual cus-tomer to institutional sharecer 20-odd years ago, which has billity now swept through every sectomer too? Lower food prices? With holder the big five supermarket norm. holder

#### Costs to dwell on

From Mr A.F. Smith. Sir, For the time being at least, the Department of the Environment has rejected the Treasury's proposal for mon-keying with the retail price index (RPI) to exclude the cost

of mortgages.

Perhaps in lieu of the mortgage lending rate the Treasury would prefer to insert the actual rise in the price of the dwelling itself. Not just the increase cost but the increase. interest cost, but the increasing amounts of principal required to be borrowed give This Government prides itself on having tamed infla-tion. I would beg leave to differ while house prices are increas ing at between 20 per cent and 50 per cent per annum.

### A.F. Smith, 14 Wensleydale Road, Hampton, Middleser

#### Piper Alpha estimated losses made clearer

State's estimate.

From Mr Martin Looegrove.

Sir, On July 25 Mr Cecil Parkinson, the Secretary of State for Energy, announced in the House of Commons that the loss of production from Piper and its associate fields, resulting from the devastation of the Piper Alpha platform, would deprive the balance of pay-ments of "something less than £300m." He went on to describe an earlier unofficial estimate of £500m as "excessive", and explained that this was based on the assumption that the fields associated with Piper Alpha would remain out of action until the end of March

next year.

Given that there has been considerable publicity on this discrepancy, and the fact that I was the author of the "unofficial estimate", it might be useful if I clarified two issues.

First, my estimate of £500m.

related to the remainder of the financial year (that is, to early

for that anomaly, it cannot be along the lines of the factors you describe as "the only possi-ble explanation of the stock

markets's behaviour." Hanson has never buried its star sub-

sidiaries in a mass of poorly

performing ones. Each of our subsidiaries is

separately accountable, with

rigorous attention to both profit and return on capital

to screen all investment projects. Following almost every

takeover, layers of bureau-cratic management have been

One of our central controls is

80 days", albeit possibly with some restrictions initially. On Claymore, I said that produc-tion might not occur "before the end of this year". In all cases, I forecaster well before April 1969). The Secretary of State's estimate of "less than £300m" (which we believe actually meant closer to £250m), on the other hand, related to the ainder of the calendar year remainder of the calendar year (that is, to the end of December 1988). My paper spelt out that for the period to the end of December 1988 the loss might be 2570m, although this did not take into account the cessation of the "invisible" remittance of the standard of the "invisible" remittance of tion of production well before March 1969.

So the main cause of our dif-ference in forecasts with those of the Secretary of State appears to lie in the timing of production start-up from the Claymore field, in that the Department of Energy believes profits, and so on, by foreign licensees to their parent com-panies, which the Secretary of State's estimate apparently did. The value of these remit-tances could be of the order of that restricted production could recommence in October or November. At this stage it is very difficult to say who is right, although both forecasts

I would contend - represent £80m, which would mean that our £370m impact would be reduced to £310 million. It is this last figure that should be compared with the Secretary of reasonable ends of a range, given the current number of uncertainties. The differences, then, are not "excessive". The second point is that my

Martin Lovegrove, James Capel & Co, James Capel House, 6 Besis Marks, EC3

### paper clearly stated that we saw production from Tartan, Highlander, Petronella and Scapa resuming within 40 to 'Central management's job is to add value for the shareholders'

From Mr Martin Taylor. Sir, Your second leader on July 26 cites Hanson as an example of a company which has recognised to its advantage - and therefore the advantage of its shareholders - unrevealed value in large diversified conglomerates such as SCM in the US and Imperial Group in

However, despite its success over a long period, Hanson itself is a large diversified company whose shares, too, are currently trading at a discount Whatever the explanation

#### Cheese paring at Paddington

From Mr W.J. Phillips.
Sir, Why has the Government chosen Paddington as the terminus for a fast rail link to Heathrow (July 21)? Paddington is the remotest of London's main line stations: it can take 20-30 minutes to reach the West End and an hour to the City on the overcrowded tube.:
The ideal route is from
Waterloo: the main Central
London rail-lead for the Channel Tunnel, with City connec-tions through the "Drain". Air-port trains should run via Richmond (or the underused

Hounslow Loop) and Feltham to Heathrow Central, Terminal Four and - optionally - West Drayton. A single stop between London and Heathrow, at Clapham Junction, would give fast Heathrow-Gatwick connec-

tions, obviating a noisy heli-copter link. The line would also meet trains from southern and south west England, and from the Midlands and north en route to the Channel, via Olympia. At West Drayton the Heathrow line would pick up passengers from Bristol, South Wales and

swept away. The cost of our

As to incentives, one of our most important functions is to ensure that each operating subsidiary has effective and highly motivated management, not only to "reduce organisa-tional slack" but also to improve the performance of

The job of any central man-gement is to add value for the shareholders. The Hanson team has taken a company, which in 1964 had a pre-tax profit of £138,000, to a reported

the M4 corridor. (A park-and-ride facility here would relieve Heathrow's approach roads.) congested

British Airports' Paddington roposal, like the Docklands Light Railway, is a cheeseparing effort. The line seems designed to be isolated from most of the nation's rail system – just when Olympia and Thameslink trains are beginning to the second of the seco ning to span the capital's main-line north/south divide. W.J. Phillips,

£741m profit in 1967; from a market capitalisation of £300,000 to over £5bn. More importantly, earnings per share and the dividend to shareholders have risen every year without exception.

Our confidence of continuing this record is based on our expectation of growth from existing businesses allied to our proven ability to exploit new situations where "underlying managerial weaknesses remain to be corrected. Martin G. Taylor,

1 Grosvenor Place, SWI

#### Paid up

From Mr P.A.Nicholson.
Sir, Michael Prowse asserts (Lombard, July 15) that motorists pay only a fixed fee for the use of UK roads. Could someone explain to Mr Prowse that a large part of every gallon or litre of fuel, petrol or diesel, is accounted for by tax with VAT on top? So we already have a system whereby the more you drive - particularly in con-gested periods, when all vehicles use more fuel - the more you pay.

Is that clear now?

## LETTERS Trying to track down 40,000 genuine financial advisers?



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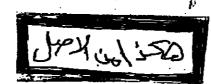
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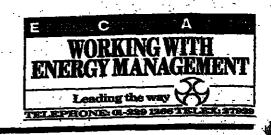
#### FINANCIAL ADVISER

A FINANCIAL TIMES PUBLICATION



### **FINANCIAL TIMES**

Monday August 1 1988



Janet Bush on Wall Street

#### Reformers run against the clock

A STORMY voting session in the House Banking Committee last week which eventually backed extended powers for commercial banks to engage in securities activity amounted to rather less even than a Pyrrhic victory for the banks.

While it conceded wider pow-ers, it also wrote into the proposals a number of onerous restrictions on marketing and capital adequacy and imposed new regulations in the area commonly known as consumer protection. The banks feel these will cost too much and will penalise even those smaller banks which have no interest in underwriting corpo-

rate debt or mutual funds.

The bill has not pleased the securities industry which had already lost the battle against wider powers to underwrite and deal in securities in the Senate and has now lost it in the House where it has some formidable allies.

Neither have the legislative proposals, hashed out well into the night last Wednesday, overly impressed the Senate Banking Committee which has already passed its own wideranging and fairly unrestric-tive proposals. Senator William Proximire, sponsor of the Senate bill, was said on Friday to be fuming.

The proposals are likely to stick in the throat of Mr John Dingell, chairman of the House Energy and Commerce Committee, who strongly supports the separation of banking and securities underwriting set up by the 1933 Glass-Steagall Act In fact, the House proposals

do not seem to have any fans. The banks are already actively lobbying against passing any banking legislation this year although, on the surface, they remain committed to Congressional efforts to get something on the statute book. As one banker put it: "We

have spent months stirring up neutral Congressmen and giv-ing them arguments for com-prehensive banking deregula-tion. It is a little difficult now to turn around and say, go kill

The securities industry, in points terms on the losing side so far is, ironically, probably legislation than the banks.

A statement by the Securi-

ties Industry Association, which has waged a war against expanded securities powers in the courts and lost every battle, said it could not support the House bill but was committed to legislative efforts to reform Glass-Steagall.

There are two reasons for this. First, the SIA is aware of the significant erosion of Glass-Steagall barriers through legal precedent. Several major commercial banks were recently given the go-ahead, under certain conditions, to underwrite commercial paper, mortgage-backed securities and

revenue bonds.
Secondly, a hotch-potch banking law with all kinds of rules, restrictions and annoyances for the banks could be the most effective way of main-

taining the monopoly of the securities industry. The next stage in this marathon is consideration of the House Banking Committee by Mr Dingell. After a few more amendments, a lot of contro-versy and many more days, the bill may eventually reach a conference between representa-tives of both houses where it will be considered along with the Senate bill.

Staffers at the Senate Bank ing Committee say they believe that there could be a conference in September. If it is much later than that, the clock will have run out, and bank reform will have to be left to President Dukakis or President

Those involved as lobbyists for opposing factions of the for opposing factions of the financial industry regard the politicking, patch rivalries and inordinate delays in coming to an acceptable legislative compromise as simply representative of the US political process. But while the Proxmires, Dingells and St Germains (chairman of the House Banking Committee) fight it out among themselves, is there a among themselves, is there a risk that the US financial

risk that the US financial industry is going to be put at a competitive disadvantage?

One of the subjects most mentioned by participants in the industry worried about the competitiveness of the US financial industry (in common with the rest of US industry in these days of the assault of One of the subjects most mentioned by participants in the industry worried about the competitiveness of the US financial industry (in common with the rest of US industry in these days of the assault of Japan and Europe on corporate America) is the manufacture of a single market in Europe.

As the securities industry lobbyist put it: "There is a distinct possibility that in 1992 the US financial system will be the only one remaining which imposes restrictions on a number of its participants." And

the only one remaining which imposes restrictions on a num-ber of its participants." And America hates to be behind the

Mr Lee tucks an ace up his sleeve

Roger Matthews watches Singapore prepare for a new leader

in the 23 years since it became fully independent. Under the relentless drive of Prime Minister Lee Kuan Yew it has amassed reserves of at least US\$17bn, achieved a per capita income higher than some Western European countries, and built an infrastructure that is internationally envied

But Mr Lee is now approach-ing the twilight of his career and, like self-made businessmen who have amassed large fortunes, wants to tie up his bequest so that more profligate members of the family cannot fritter away the company's hard-won assets. And, as is the way with long-serving leaders, he is privately far from convinced that those in line to succeed him as Prime Minister are fully up to the job, even though he has picked them himself.

Accordingly on Friday, pro-posals a were presented in the Singapore Parliament for an elected Presidency to replace the present ceremonial post. The people will be able to vote, but only a handful can qualify as candidates.

The qualities required of a presidential candidate – whose suitability will be judged by a committee of three or five eminent persons - were listed. He (not she) will have held high office, have an astute view of the national interest, have experienced the pressures of government decision-making and have the courage to dis-agree with the government when the national interest so demands. No prizes need be offered for guessing which Sin-gaporean best fits that descrip-

The new President will not have executive powers as such, but he will be a powerful man. He will be able to block the spending of the country's

By John Lloyd in Moscow

THE FIRST small step towards

transforming the Soviet Union into a credit card society was

Licensing agreements signed between the Vnesheconom-

bank, or bank for foreign eco-

nomic affairs, and the Euro-

card/Mastercard and Eurocheque companies will

extend, in slow stages, the ben-efits of card and cheque trans-

actions to foreigners visiting

the USSR and then - it is hoped - to widening circles of

The Soviet and Western part-

ners to the agreement claimed the deal as the first of its kind

- although Visa has in the

past signed an outline agree-ment, and the Vnesheconom-

bank has for two years extended cash advances to

Eurocard/Mastercard holders. Mr Viktor Geraschenko, the

bank's first deputy chairman, acknowledged that he did not

taken in Mosco

Soviet citizens.

Although Singapore's Prime Minister Lee Kuan Yew, right, is approaching the twilight of his career he has no plans to quit the political stage entirely. Under his drive he has seen the island state amass considerable reserves as well as achieving a per capita income that is higher that some Western European countries . Now, Mr Lee is auxious that these gains will not be

that these gains will not be frittered away when he retires. Accordingly, last week in the Singapore Parliament, proposals were tabled for the creation of an elected president who will have no executive powers but will nonetheless be powerful man - in effect the government team's goal-keeper. No prizes are being offered for guessing the candi-date most likely to succeed

reserves broadly defined to encompass statutory boards and government-owned companies, and he will advise on, or veto, the appointment of top civil servants, including judges. He will be able to attend and make speeches in Parliament and has the right of access to all government

To develop Mr Lee's own favourite footballing metaphor, the President will be the team goalkeeper, rallying the country's defences, blocking shots from the other side and watching out for errors that could

lead to own-goals. His aides also like to think of His aides also like to think of him venturing upfield occasionally to blast one past the opposition. And had Mr Lee watched this year's live Cup Final broadcast from Wembley on Singapore television he may have been gratified to note that the winning side was contained. the winning side was captained by the goalkeeper. The image of the President

as custodian was emphasised

Eurocard and Eurocheque

expect the Soviet Union's 280m

citizens to become card holders

sense of the difficulties of per-suading Soviet citizens to con-

duct transactions in any

medium other than cash.

Fledgling cheque accounts offered since the beginning of

the year by the domestic savings banks have encoun-tered distrust from Soviet sup-

The bank intends to press ahead with a three-phase pro-gramme aimed at popularising

the medium. In the first instance, some 1,000 foreigners

are expected to make use of

the card and cheque facilities, and will be able to write cheques in roubles in places

that are prepared to accept

payment in other than cash or hard currency.

In the second year of opera-tion, the 150,000-200,000 Soviet

diplomats, business executives

Moscow clears way for

overnight.

HIS C



in Parliament on Friday by Mr Goh Chok Tong, the first dep-uty prime minister, and the man whom the Cabinet has apparently agreed should suc-ceed Mr Lee.

Mr Goh stressed that after an elected Presidency, the Prime Minister and Cabinet would continue to govern Sing-apore. However, it is clear that future Prime Ministers will not be able to govern the country as Mr Lee has done. This serves another purpose.

There is a fear lurking beneath There is a fear lurking beneath the normally bland surface of the dominant People's Action Party that its grip on the affec-tions of the Singaporean elec-torate may be weakening. It lost over 12 per cent of the popular vote in the last elec-tions in 1984. Although only two opposition members of parliament were elected it was a severe jolt to the PAP's self

Mr Lee is far less in tune with the younger generation of English-educated voters than

and technicians with convert-ible rouble accounts at the For-eign Affairs Bank will be grad-

system.

The third and final stage is

to attack that hinterland of

280m citizens. Mrs Anne Cobb, general manager of Eurocard International, said Moscow City Council had told her that it was keen to popularise the

Mr Geraschenko said that

discussions had taken place between the bank and the

savings banks on credit card operations, and added that the banks had also discussed issu-

ing cards on their own

ress will be slow. The computer systems needed for credit card operations simply do not exist, the resistance to credit is

large, and the range of goods for sale to the general public

Both sides accept that prog-

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idea of credit cards.

he has been with those who experienced the traumas of independence. His warnings of the threat of communist subversion may appear absurd to those for whom Marx is more closely linked to Spencer than to politics.

The recent use of the Inter-nal Security Act to jail without trial alleged subversives, many of them graduates, served to fuel an image of a harsh, intol-

erant government.

It came to a peak most recently with the Government's extraordinary campaign to destroy the reputation of Mr Devan Nair, a former President.

Some Government MPs are aware of the damage which may have been done. Speaking in Parliament on Friday, Dr Aline Wong said that there was a widespread perception in Singapore that this spate of events was simed at warning government critics, or worse, cracking down on dissent.

Such comments may not advance Dr Wong's political career as recent similar assertions by foreign newspapers have drawn a hostile official response. But they do point up the possibility that a larger proportion of the electorate might vote against the ruling party, irrespective of the quali-ties of an opposition candidate. If elections are held before

the end of this year as expec-ted, it is unlikely that there will be sufficient opposition candidates to contest more than half the seats. Of these, few will fit the government's ideal of an "honourable Confu-

Equally, and far more proba-bly, should Mr Goh Chok Tong soon become Prime Minister, there will be an elected President to watch over him and his colleagues. Mr Lee, as ever, is leaving as little as possible to

#### Anti-Mafia judge quits Italian crime fight

By Alan Friedman in Milan ITALY'S battle against organised crime suffered a set back at the weekend with the resignation of a group of offi-cials including Judge Giovanni

Falcone, the Palermo-based magistrate who is the nation's leading anti-Mafia investigator. The resignation comes amid mounting frustration on the part of Judge Falcone and his colleagues in the "anti-Mafia pool" of magistrates. They allege that state and local off-

cials are interfering with the fight against the Cosa Nostra. Mr Falcone tendered his res ignation and asked to be transignation and asked to be transferred to another job in a letter to the Superior Council of Magistrates in Rome, the body which oversees Italian judges.

The judge has lived under armed guard for years and has seen several of his colleagues arrested by the Medicagues.

murdered by the Mafia. He has complained of "inertia" in the struggle against the criminal organisation, whose biggest revenues come from the international heroin trade, which has been estimated at up to \$10m a year. Mr Falcone is the man who

convinced Mr Tommaso Bus-cetta, a Mafia don, to turn state's evidence in the so-called maxi-trial of over 400 maffosi which ended last December with 338 convictions, including

that of Mr Michele Greco, known as the Pope of the Mafia or the 'Capo di capi' (head of heads).

Mr Falcone's recent work has taken him deeply into investigations of the links between the Mafia and Italian politicians, an extremely delipoliticians, an extremely deli-cate area. His complaints of lack of support have already attracted the interest of Presi-dent Francesco Cossiga, and yesterday Mr Leoluca Orlando, the anti-maila mayor of Palermo, backed up Mr Falcone's allegations.

#### Genscher talks allay fears

Continued from Page 1

reception room. The table, only 15m wide at the centre, stands in a window, rather than in the middle of the room, according to a report on Soviet television.

Judy Dempsey adds from Vienna: The Vienna review meeting on the Conference on Security and Co-operation in Europe (CSCE), scheduled to take a recess last Friday, was prolonged under West Ger-many's insistence so as to coin-cide with Mr Genscher's visit to Moscow. The outcome of his visit could influence the EastTHE LEX COLUMN

### The Texas price of confidence

RepublicBank, Texas's biggest financial institution, may not marcial institution, may not be quite as large or as dra-matic as the 1984 bail-out of Chicago's Continental Illinois, but it nevertheless underlines the steep price that US banking regulators are having to ing regulators are having to pay to maintain public confidence in the safety and soundness of the US banking system. First Republic is not a money centre bank and did not have the international obligations of Continental Illinois – which made the regulators so nervous in its case. Yet despite the Reagan administration's support for the market-place, the US anthorities felt that failure to protect all First Republic's depositors, both big and small, was too great a risk to take. This knowledge will provide further comfort for foreign banks continuing to do business with troubled medium-sized US banks.

The other message to come

The other message to come out of the latest US bank rescue package is that all concerned are learning from their earlier mistakes. One of the main criticisms of the authorities' harding of the Continent ties' handling of the Continental Illinois failure was that by rescuing the holding company, rather than just the bank, the US Government saved bond holders from financial loss. This time the Federal Deposit. insurance Corporation's gener-

osity does not extend to the \$1.2bn of debt and preferred

stock owed by the holding company, and this will proba-bly be as worthless as First Republic's shares which have fallen from \$25 to \$1 over the last year. Meanwhile, NCNB is anxious Meanwhile, NCNB is anxious not to follow the example of Chemical Bank, whose eagerness to take over Texas Commerce Bank without seeking additional Federal help, has severly damaged its stock market rating. NCNB is paying a little over \$200n, the bulk of which will be refinanced by a convertible preferred issue, for control of an institution which will double its size and immediately contribute to earnings,

while the FDIC is providing 30 per cent of the capital of NCNB Texas National Bank and guaranteeing the \$5bn or so of trou-

A curious thing happened to RHM's shares on Friday: they slipped – ever so slightly – be-low the Goodman Fielder bid price. Their earlier premium was based on the argument

that since Goodman's 465p offer is plainly something of a steal — at 15 times prospective earnings — RHM might ulti-

Industrial Average 2000 1988

mately be obliged to bring in a counter-bidder to obtain proper

counter-bidder to obtain proper value for shareholders. Now, by contrast, there is a hint of nervousness about Goodman's bid being either blocked by the authorities, or rejected out of hand by the institutions.

The likelihood of either is tricky to judge. Politically, RHM's case is quite different from Rowntree's, not least because Rowntree is itself a precedent. RHM's vastly greater success in getting MPs to protest and sign motions also reflects Goodman's lack of political pull in the UK, political pull in the UK, whereas Nestlé had more UK employees, sales and profits

employees, sales and profits than Rowntree at the outset.

And, of course, it had the cash. The gearing of the Goodman bid has come to occupy centre stage politically. Goodman can argue that it would not be daft enough to buy a business only to ruin it; RHM would reply that Goodman has pressing reasons for wanting to expand outside Australia and New Zealand, and that the readiness of bankers to lend on a project is notoriously no a project is notoriously no proof of the project being sensi-

The political importance of the argument turns on whether it can be used to make RHM a special case. In refusing to act on Rowntree, Lord Young made the general point that a protectionist policy on bids is economically inefficient. To reverse that, it might be necessary to argue specific inefficiencies resulting from the bid, whether in RHM's operations or in the market for

Whatever the Government decides, the same arguments have their force with the institutions. The first duty of fund managers is to achieve the best return for their members, but they could well tire of being cast yet again as bloodless financiers, selling Buttain at international auction. Add to that the tax disadvantages aris-ing from the predominantly cash nature of the offer, and it would not be at all surprising if the institutions turned down ust the tis

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the bid as it stands.

It all depends, though, on how much stock the institutions still hold. Goodman now has 29.99 per cent, and can doubtless count on whatever is held by the arbs. If the bid results in a stake of anything over 40 per cent, Goodman could surely wait for 12 and then pick up the rest. One way or another, RHM's best hope by this stage seems to lie in a burst of protectionism.

#### **Takeover Panel**

The courts may have, once again, dealt Guinness a blow over the issue of compensation for former Distillers' share-holders: but that should not obscure the fact that the real battle is likely to be between Guinness and the Takeover Panel, and not between Guin ness and the law. Many weeks of appeals could yet intervene; but if the Panel's conduct is upheld again judicially, and by its own Appeal Committee, then Guinness may have to pay up or face the conse-

quences.

The Panel refuses to be drawn on the size of any eventual compensation, but the potential consequences of flouting its authority are in the Code for all to see. At least in theory, Guinness could face parlah status in the City of pariah status in the City of London; and no doubt, a few months without benefit of merchant banker, broker, chartered accountant or stock exchange listing would prove a salutary experience. But the Panel obviously hopes it does not come to that — well it might, as it could find the City less than unanimous in blackballing the company — so the betting must be on some kind of negotiated deal.

The smag here is that the The snag here is that the

Panel's room for manoeuvre could be limited. The level of compensation according to the Takeover Code would be a matter for mathematics rather than judgment. And whereas insisting on the letter of the Code might drive Guinness into non-co-operation, an overt bargaining process might have the effect of undermining the Panel's authority. There is still a lot to play.

### Orders for airliners set to break record

By Michael Donne, Aerospace Correspondent

SHARP growth in air traffic, coupled with fleet renewal by airlines, seems certain to make 1988 a second record year for airliner purchases worldwide. Last year the aircraft manufacturing industry took orders for 738 commercial jets worth

1988, more than 600 new jets-have been ordered, and a number of large orders are expected over the next few months.

So far this year, for example, Boeing, the world's biggest jet builder. has secured firm orders for 444 new jets, worth more than \$20bn, against its 1987 total of \$55, worth nearly 1987 total of 366, worth nearly Airbus, the European consor-

tium, has also had a good year to date, with orders for 88 A-300s, A-310s and A-320s, worth more than \$3bn, against last year's total of 114 new air-liners, worth about \$5.5bn. McDonnell Douglas has had first half orders of 69 short-to-medium range MD-80s and

nine of the new long-range MD-11 tri-jets. Last year, McDonnell Douglas booked new orders of 148 jets (MD-80s and MD-11s), worth over \$6bn. Boeing is forecasting sales worldwide for all manufactur-ers to the year 2005 of \$414bm. The most factor behind the growth in orders is the growth in traffic, which this year has averaged about 10 per cent over last year. Airlines are also

replacing existing fleets.

**WORLD WEATHER** 

Iran pledges to end raids on shipping Continued from Page 1

remains narrow.

with Baghdad on a peace set-Mr Riyad al-Qaysi, Irag's UN ambassador, told reporters in New York that the three meetings which the Secretary General, Mr Javier Perez de Cuellar, had held with Mr Tarique Ariz the Iraci Engels Ministry Aziz, the Iraqi Foreign Minis-ter, last week had focused solely on the procedural issue of Iraq's demand for direct

His statement followed a

fifth meeting on Saturday between Mr Perez de Cuellar and Mr Ali Akbar Velayati, and Mr Ali Akbar Velayati, the Iranian Foreign Minister, who is resisting direct talks until a ceasefire is in place.

It came amid mounting international pressure on Iraq to show greater flexibility. Ambassadors from the five permanent members of the UN Security Council in Baghdad last week urged the Iraqi Foreign Ministry to moderate its line, and there are reports that senior politicians from Western countries have been in touch with Iraqi President Saddam Hussein on the issue. For their part, the Iranians are urging Mr Perez de Cuellar to amounce a ceasefire date regardless of whether Iraq agrees. Mr Mohammad Jaafar Mahallati, Iran's UN ambassador, told the Islamic Republic news agency on Saturday that the Secretary General had

news agency on Saturday that the Secretary General had been mandated to announce a

ceasefire date by the Security

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#### Just the ticket for De La Rue



De La Rue, the UK security printer and printing technology group, has bought ILS Systems, a Dutch specialist lottery ticket printing group, for £3.9m (\$6.7m). The deal gives De La Rue, in which British publisher Mr Robert Maxwell and associates hold a 14.9 per cent stake, a springboard into the international lottery ticket market, an area the company believes has considerable scope for growth. Page 23.

Ruhrgas to buy American Neter Ruhrgas, the West German utility, has agreed to buy American Meter, a manufacturer of gas metering and regulating equipment for \$132m from Singer, the US industrial holding group:

Cookson tries to forge link with Wolstenholme Rink



No one denies that Wolstenholme Rink, a Lanlithographic materials and metal powders group founded in 1938 by an Austrian refugee, would fit well into the speciality chemicals ilg-saw which has been assembled in recent

years by Britain's Cookson Group. No one denies that Cookson could easily afford to buy its target. Cookson's only problem is that Wolstenholme is determined to remain independent. Clare Pearson considers a £27m (\$46m) takeover bid which commands attention far beyond its financial implications. Page 23

#### **Market Statistics**

Base lending rates European options exch Base lending rates FT-A workt indices FT int bond service

Foreign exchanges London recent issues London share service Money markets World stock mix Indices

Benk of NZ Bow Valley Inds. Bristol Waterworks British Gas Cie. Gen. des Eaux Cookson Group . De la Rue Domiar

Noranda Pascual Hermanos Prudential-Bache Ruhrgas 22 Runciman (Walter) 23 Saga Petroleum 22 Shield Group Singer Swissair Telfos Holdings United Brands Wace Group

### Farmers and lawyers keep BAT at bay

Nick Bunker considers the UK tobacco giant's American travails

N THE history of the UK's BAT industries, the world's largest private sector cigarette group, pride of place belongs to James Buchanan

A tobacco baron from the Caroinas, he came to London in 1901 to attack the local market. He is said to have told his prey: "My name's Buck Duke, and I'm here to buy your company." A year later, he became the first chairman. man of British-American Tobacco.

It could take much longer for Mr Patrick Sheehy, his latest suc-cessor, to win control of Farmers Group, the Los Angeles-based insurer, as part of his ambition of building a US financial services

And – for the first time since BAT launched its first \$4.2bm offer for Farmers in January – the London investment commu-nity has to acknowledge the pos-sibility that, in the end, BAT could be unable to struggle free of the regulatory quagmire in nine states where it needs approval if the bid is to succeed. According to Mr Lawrence Friedman, the American legal historian, in the 19th century "no business was subject to as much regulation as insurance." Since then, more pieces have been added to the regulatory edifice giving Farmers the scope, which it has exploited to the full, to bog BAT down with legal wrangling. The holding company laws,

which govern insurance acquisi-tions, were passed after big take-overs in 1967-1969 prompted fears that predators would "assetinsurers, endangering poli-Wall Street - its arbitrageurs now well aware of how awkward these laws are — is showing its scepticism about the bid's hopes of success. Farmers shares closed on Friday at \$54%, well below BAT's current \$63 offer.

This week, BAT should get a ruling from a California Superior Court judge, who on Friday heard its appeal against the state Insurance Commissioner's decision to deep encouraged for the hid sion to deny approval for the bid. California yields about 41 per cent of Farmers Group's \$5.40n

friday night, BAT was confident of winning, but, said one BAT official. "California is the sine qua non." (So far only Arizona has said yes to BAT. Idaho and Oregon have said no, and other states have yet to pronounce.)
Yet Texas provides the best indication of why the bid's timeframe could stretch into the spring of 1989.

Mr John Bryant, a Dallas congressman, has been campaigning vigorously against BAT. "It's diabolical when dollars earned with products which kill people will be



Tied down by regulators: BAT chairman Mr Patrick Sheehy

used to buy the seventh biggest US insurance company," he says.
It is hard to gauge just how much steam he can generate, though, in California, political pressure may have been important. Anyway, Texas is not due to hold a full hearing on the bid until September 19.

Anticipating trouble, BAT has

hired as an attorney Mr Will Davis, the state's Democratic Party chairman during the Lyndon Johnson era. Another lawyer for BAT, Mr David Irons, says Texas regulators "go over every formal filing with a fine-tooth

He admits it could be November 1 before the Texas insurance superintendent gives a ruling. Either party could then appeal to the chairman of the State Board of Insurance - with the prospect of further appeals in the courts. Board chairman, has guessed that Farmers could ensuare BAT for four years in Texas. "The process is subtle as hell," he says.

Assuming the California judge rules in its favour, BAT could short-circuit this by raising its eroding Farmers' resistance. Has it the resources? London-based stockbroker Warburg Secu-

offer substantially, in the hope of rities says that if BAT completed the deal in 1968 at \$80 per share its net gearing would rise to 95 per cent - way above the 65 per cent it had in 1965 after buying two UK insurers, Eagle Star and Allied Dunbar.

High cash flow from BAT's tobacco, paper, retailing and insurance operations should reduce gearing rapidly. But even \$80 per share will represent only 17 times Farmers' 1988 earnings, and that multiple may be too

Connecticut-based broker Conning & Company reckons Farmers' return on equity averaged 18.1 per cent in 1974-85, 3.9 points better than the average for the Standard and Poor's 400.

Oregon's ruling also raised the possibility that the more BAT increases the bid, the more regulators weary about how it will finance it, without jeopardising policyholders' security. The Oregon commissioner was bothered that at \$30 per share, purchase of Farmers might give BAT only a Farmers might give BAT only a 5.5 per cent return on its investment, on present earnings projec-

Oregon, though, took an extreme view. Insurance officials elsewhere suspect that its read-ing of its holding company act was unconstitutionally broad. Until the California Superior Court delivers a ruling on BAT's appeal, some of these questions are academic. In the meantime, they illustrate something Britons with takeover ambitions learn painfully: that the US is, after all, a foreign country.



## GREENSPAN took over from Mr Paul Volcker

as Chairman of the Federal Reserve Board just under a year ago, there were some unkind jokes about small men filling large shoes. He was a Republican arge shoes. He was a Republican economist, but not apparently a member of the financial priest-bood. The gigantic, enigmatic Mr Volcker had been unchallenged

High Priest. As everyone knows, Mr Green-span established his own claims within two months, with his management of the October shock, which will go down in the handbooks of emergency drill. He has also become something rather rare — a popular Fed chairman, on the most cordial terms with Congress and with his

In the next few weeks, though, he will be facing a new test. Can he convince the markets that he is resolute against inflation? That may take rather longer to prove, and he did not win much confi-dence with his frank admission in Congress last week that he found the latest inflation figures in the second quarter GNP statistics "surprising."
The figures illustrate a familiar

fact: costs and prices within industry are rising faster than retail prices because pipelines take time to fill, and retail competition is fierce. It is the size of the apparent gap that is surpris-

This is the kind of danger that Mr Greenspan was expected to see ahead of most people. He was hardly an unknown in the financial markets before he took office. As a consultant in New York he had earned wide respect for his judgment of the real econ-omy. He had also learned the ways of the alarmingly isolated world of Washington as President Ford's chief economic adviser.

However, these qualifications do not impress everyone. Dr Arthur Burns also came to the Fed in his time as a good economist who understood politics. Wall Street finds this a grim pre-cedent. Dr Burns is widely blamed for putting politics ahead of central banking in 1972, with results that took years to correct. This is also an election year. The imputation is almost certainly unfair to Mr Greenspan - and to Dr Burns, too. The concerted boom of 1973 was a worldwide folly, in which nobody gave enough weight to the stimulus which was being imported from other countries.

Policy is now co-ordinated sen-

### **Inflation exam** for an academic chairman

#### **Anthony Harris** in Washington

sibly, instead of by seeing what will happen if we all jump at once. The heads of the main cen-tral banks talk to each other every day, and the minutes of the Federal Open Market Committee (FOMC) show that the inflation ary threat has become the only important agenda, even if the actions which follow do not satisfy the Puritans in the bond houses. At least, though, they cannot complain that they are being kept in the dark.

Openness is one of the most striking changes Greenspan has introduced - indeed it is tempting to call it glasnost, and the internal re-organisation of the Fed as perestroika. In fact, though, it is a dramatic change of style rather than a counter-revolution.

Congressmen have been delighted to hear courteous explanations which are meant to be understood — "No cigar smoke out there" one of them said during the chairman's first appearance on Capitol Hill.

Junior staff feel really involved to really involved in policy. The markets seem to find this openness a little unsettl-ing; they prefer unambiguous thunderbolts from Olympus. Everyone else enjoys it.

It is all a little like a successful university seminar, and that is revealing. This is an unusually academic Fed board: Governors academic ren board: Governors
Robert Heller, Wayne Angell and
Martha Seger have all held teaching posts. Like their chairman,
they love problems, pepper the
Fed staff with research projects,
and are keen to air their ideas
and their nerolexities in public and are keen to air their ideas and their perplexities in public speeches and papers. The chairman has asked other central banks to help with especially baffling problems, such as high bond yields in countries with low inflation.

This is only part of the story, though, and not the most important part. The Governors spend far more of their time on regulatory and prudential questions bank mergers and rescues, capital adequacy, risk assessment and the like - than they do on monetary policy. Exchange rate management is a priority and a puzzle. Above all, the chairman knows that his job is about manement. He quickly picked as his right hand man the board's most effective operator, the young and widely admired Mr Manley Johnson.

That soon proved a crucial choice. In the first days of the new regime the board felt that the financial markets were getting dangerously overheated. The interest rate hike of early Octo-ber, which has been widely blamed for causing the crash, was in fact intended as a shock

for the markets.
In preparation for that shock, as everyone now knows, Mr Greenspan and Mr Johnson qui-etly drew up a contingency plan for a disorderly fall. Although the one-day mut was far more dramatic than they had expected, it was not the worst situation that they had provided for. They worked calmly and quickly on the day because they were prepared. This forethought is now the basis for Greenspan's

undoubted prestige.

The inflation questions remain, though. Has the chairman been too slow to pick up the early warnings? His surprise last week suggests he may have been. Has the progressive reserve tightening through the summer been too subtle to carry a message? The GNP figures tell one story, the housing recession another. Will too much caution now lead to an ugly crunch later? That is the view of the bond purists, and was shared by two presidents of member reserve banks who voted against the gradualist line adopted by the FOMC in May.

These member banks are too often overlooked. In rotation, they bring to the FOMC intimate knowledge of their regional economies and banks – and Governor Gerry Corrigan of the New York Fed. who attends ex officio, speaks with rasping emphasis for the money centre. Many were hand-picked by Mr Volcker, and several of them have considerable market clout in their own

right.

These men report the inflationary pressures in detail. They also know that this robustly growing economy is financially fragile. Policy now combines interest rates that are high enough to cool demand for houses (but not for cars) with an exchange rate the industrial economy (but is

not threat to the banks).
It does not look enough at the moment, but time lags in monetary policy are longish, and some further tightening can be expected. There will be a new President before we can be sure whether the new chairman has been too tentative, or whether he has sustained what Senator William Proxmire recently called "a high-wire act worthy of the great Wallenda."

I must find out more about

#### UK GILTS

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### Keeping an eye on the deficit

BRITAIN'S gilt-edged securities market starts the week with much to absorb and the prospect of little room for prices to improve dramatically in the short to medium term. If current account deficits do

Mr Nigel Lawson, Chancellor of the Exchequer, relterated his recent themes in a letter to Conservative MPs late last week. The current account deficit was a private sector phenomenon and willingly financed; inflation would peak over the course of the next 12

The latter observation is consistent with the Treasury's summer forecast showing inflation rising to about 6 per cent in the first quarter of 1989 and

falling thereafter. Mr Lawson has a case in his claim that the current account deficit does not matter. As an indication of domestic demand leakage, it matters only if the rates above what would be necessary for stable growth.

two conditions applies. If any-thing, the Government is in the position of having both factors working in the same, beneficial direction. Higher interest rates should rein in consumers' demand and, by virtue of their being much higher than competitive rates in comparable markets, they serve to sup-

post the currency.

High rates do not have a major impact on business's investment intentions primarily because the current investment surge is capable of being the current investment surge is capable of being the current investment surge is capable of being the current investment surge. nking 60

UK Gilts yields 22nd July 196

Restated at par (%) 10.0

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The current account moves towards equilibrium via lower of investment, itself partly responsible for a high level of

This is, of course, the "soft-

On this point the Treasury reverts to faith, and others to wondering whether the foreign sterling indefinitely.

THE Bank of England should inform the market of the terms of the forthcoming gilts auction tomorrow afternoon and when issued trading will comexpectation among market-makers is that the Bank will isene a six-vear stock. Mr John Shepperd at War-

thing to note about the funding outlook is the Bank's "welcome" return to the foreign exchanges as a seller of ster-ling. Assuming a rise in reserves in July by a conserva-tive \$1bn, the sterling counter-part that needs to be sterlissed in the first form months as all. in the first four months of this financial year is of the order of £1.25bn. This also has saved the Bank from being over-

The numbers are these Reserves plus cumulative redemptions of £3.9bn equals sector debt repayment (PSDR) to July is £2bn, assuming a repayment of £400m in that clouded by the Bank's buy-ing-in stock it seems prepared could account for as much as

tain as it can be, buying in or Simon Holberton

#### THIS WEEK

statistics expected to point to

Figures for US unemployment and employment published on Friday are widely forecast to show labour demand remaining tight. They will be the first significant set of economic indicators of activity in July to be released, and could influence confidence in

although less than in June. An unemployment rate of about 5.4 per cent is widely growth. The indicators look forward three months and include factory output, money

supply, consumer credit and point this week, with a possible meeting of the Organisation of Petroleum Exporting Countries' price committee in Lausanne on

Wednesday.
If the price body decides to convene a full emergency meeting of oil ministers it

In the UK. Treasury figures for official reserves released intervention by the Bank of England in foreign exchange markets.

The MMS international survey of analysts forecasts in July against \$84m in the a possibility of further rises

interest rates. Some analysts

**US Unemployment** 7.8 7.2

expect the securities repurchase (repo) rate for the next transactions with commercial banks to move up to at least 4.25 per cent on Tuesday, from the 4 per cent to which it has been raised

Jan 88

1987

in recent weeks. Japan's final money supply figures for June are due on Friday. The preliminary figure was 11.1 per cent, continuing a trend of double digit growth that has lasted for more than

The final figure is unlikely to show much variation, but it, along with last week's employment and price figures, will draw attention again to the dangers of inflation in the Japanese economy. Other statistics released this

week include: Today. Japanese general account tax revenues. US construction expenditure in

Tuesday. US factory output for June. UK Central Statistical Office figures for 1987 overseas earnings of the

Wednesday. Japanese new

car registrations. UK housing starts and completions in June. Employment Gazette published

by UK Department of Employment. US car sales. Thursday. US productivity and costs for the three months from April to June.

HOW IMPORTANT ARE YOU
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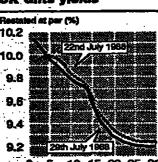


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not matter to the UK Treasury and inflation is of little concern to the foreign exchange market, both still appear to matter to the gilts market.

months. 16.

> pound depreciates, which would lead to inflation, or, if the authorities are forced to maintain a level of interest At present, neither of those



Years Source (Warburg Securities domestic consumption and higher savings, together with a slowing in the rate of increase imports. It points out that UK exports have been and contime to be strong.

landing scenario over which many in the market are decidedly agnostic. But no one, not even the most zealous proponents of the "hard-landing school, disagrees with the view that the cirrent account deficit can be financed. Where they part company with Mr Lawson is over the price at which it can

exchange market, a market not noted for the length of its attention span, can maintain its current level of interest in

ment surge is capable of being ments shortly thereafter.

The market has been told it funded internally.

The Treesury believes that will be a short-dated stock-interest rates are powerful. (seven years or less). The

burg Securities suggests two possible candidates if the Bank decides to issue a tranche of an existing stock. 8% per cent Treasury 1994s or the 9 per cent Treasury 1994s. The latter is free of tax to non-residents. About the only encouraging

£5.15bn. The cumulative public. month, and this gives gilts sales of £3.15bn. The Bank has issued £1.9bn so far leaving it as underfunded, because of tervention, by about £1.25bn. The situation, however, is to relieve market-makers, distressed or not, of any long position they have anywhere along the yield curve. This activity 2500m of stock. The forthcoming auction, expected to be about £300m, should leave the funding position basically

square. The prospect, however,

of another auction, taken with

the trend of the PSDR in the

later months of the financial year, makes the prospect of a

large over-fund as close to cer-

not.

THE BUOYANCY of the US economy is likely to be the main focus of attention in financiai markets this week, with a series of economic

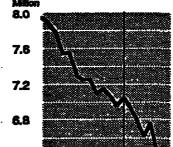
continuing strong growth.

Employment is expected by analysts to show a strong rise, forecast - higher than in June but figures then were thought to be perhaps erratically low.
On Tuesday, the index of
leading indicators is also
forecast to show robust

Oil prices may also be a focal

would point to a new Opec consensus that could send prices rising. on Tuesday will provide a rough guide to the extent of

points to an increase of \$375m previous month.
In West Germany, there is



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FINANCIAL TIMES

#### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## US insider inquiries gain pace

By James Buchan in New York

THE WIDENING investigation into insider trading in stocks tipped by Business Week magazine claimed two more victims by the weekend when Prudential-Bache, the Wall Street investment firm, fired one young broker and Advest, a smaller brokerage, suspended a second

The double announcement confirms that the inquiry has tracked the source of recent advance leaks of Business Week stock tips to R.R. Donnelley & Sons, the magazine's main printer.

The two brokers worked in offices close to Donnelley plants in Torrance, California, and Old Saybrook, Connecticut, which print Business Week.

Pru-Bache said yesterday it had fired Mr Brian Callahan, 28, a broker at its Anaheim, California, office. The firm is also investigating a trading account held with the firm by a Donnelley employee.

The Advest broker, unidentified, worked in the firm's New

fied, worked in the firm's New London, Connecticut, office. On Wednesday, Merrill Lynch fired Mr William Dillon from its New London office. **US MONEY AND CREDIT** 

### Greenspan soothes the inflation worriers

IT IS just under a year ago that Mr Alan Greenspan replaced Mr Paul Volcker as chairman of the Federal Reserve Board. But even before he reaches his anniversary as the second most important man in America, Mr Greenspan seems to have equalled his predecessor's Olympian stature and almost supernatural powers.

When Mr Greenspan declared on Thursday that he

when Mr Greenspan declared on Thursday that he saw "fewer surprises than normal" in recent economic developments, the world's financial markets were overwhelmed by this intelligence. It obviously meant that there was no cause for anxiety in the economy's 3.1 per cent second-quarter growth rate — even if real final sales were rising at 5.4 per cent per annum or double the rate which Mr Greenspan had

favoured two weeks earlier.

When he added that the one real surprise in the latest statistics - the 4.7 per cent increase in the GNP fixed-weight price index - was probably nothing more than a statistical abertation, his words seemed almost good enough to cut a point or so off everyone's inflation forecasts.

inflation forecasts.

And when Mr Greenspan repeated his earlier assertions that a decliming dollar could be counterproductive, the com-

US MONEY MARKET RATES (%)

US BOND PRICES AND YIELDS (%)

NRI TOKYO BOND INDEX

28/7/88

143.76

16.76 147.25 137.72 144.25 146.30 (X) 1994 1894

4.73

PERFORMANCE INDEX

143.22

144.58

145.67 146.18 147.56 138.05 143.45 144.00 ment was good for a jump of four plennigs against the D-Mark, taking the US currency within a hair's breadth of the DM1.90 level not seen since the summer of last year. Certainly Mr Greenspan's remarks about the dangers of devaluation were more than enough to undo all the hard work of the Bundesbank and even the Federal Reserve itself in battling the dollar bulls in foreign exchange markets throughout the world

foreign exchange markets throughout the world.
But even the currency market's faith in Mr Greenspan was nothing to the awe in which the US stock market seemed to hold him. The 75-point jump in the Dow Jones industrial average between Thursday lunchtime and Friday night was almost entirely attributable to the Fed chairman's efforts. A typical comment from one market strategist: "Greenspan's testimony put a large nail in the inflation coffin" and thereby restarted the summer rally.

the summer rally.

In fact, the chairman's remarkably upbeat tone on Thursday, in contrast to his Senate testimony on July 13, raised some questions about his objectives, as well as his hypnotic powers.

The one hig surprise that

hypnotic powers.

The one big surprise that had occurred between the two congressional appearances was the 63-point fall in the stock market during the week before last. This fall on Wall Street was matched almost hour by hour by the five pfennig retreat of the dollar. While this

US Treasury yields

percent
10

Ady 20,1988
9
8.
7

June 50,1888

5 3 6 1 2 3 4 5 7 10 30 months years

slight weakening of the dollar might have been good news for the Bundeshank and other proponents of international currency management, the growing nervousness on Wall Street must have been less than satisfactory to the White House.

factory to the White House.

With less than four months to go before the presidential elections, this is no time to take risks with investor confidence — in the stock market, the bond market or anywhere else. In November last year, in the aftermath of the crash, some analysts suggested that the Fed was targeting the Dow Jones industrial average, It may now be time to revive this idea. And if a strong dollar helps to support equity prices, so much the better.

For the world's largest inter-

national debtor, a currency with an upward short-term hiss is naturally much easier to control than one which always seems to be teetaring on the edge of collapse. Indeed, from the Reagan Administration's standpoint the present interplay of forces in the foreign exchanges is like a dream come true. As long as speculators remain eager to buy dollars, there can be no threat of international monetary insta-

international monetary instability and the concomitant domestic financial chaos. Is it too Machiavellian to suggest, then, that the Fed and other central banks are actually helping to sustain the speculative pressures by intervening ineffectually to "restrain" the rising dollar? Without this kind of "smoothing" intervention the speculation might exhaust itself too soon — that is, before November. By backing limited international intervention against the dollar at present, the US authorities can hope to sustain the rally till after the elections and the Fed can build up the foreign exchange reserves which it will need eventually to defend the dollar when the

trend turns.

Even the Bundesbank, for all its protestations about inflationary dangers, cannot be too dissatisfied with the present currency situation. If it were, it would have acted far more aggressively to eliminate inflationary expectations by raising short-term interest rates.

In fact, the bidding for the

dollar gives the West German central bank a golden opportunity to unload its excessive US currency reserves, restraining German money supply growth and turning a tidy profit in the bargain.

and timing a tay from the bargain.

The Bundesbank, like the Fed, must take some satisfaction in the knowledge that the more dollars it can unload on speculators today, the more it will be able to buy back later, when it ultimately needs to do this to protect the US currency from collance.

from collapse.

Two weeks ago the Bank of Japan, too, seemed to be playing this cat and mouse game, allowing speculators to push the dollar as high as Y135 on July 15. The sudden and alarming decline of the Tokyo stock market in the next two trading days must have convinced the Japanese that they were playing with fire. Since the 800-point fall in the Nikkei index on July 18 and 19, the yen has remained very stable between Y131 and Y133.5 to the dollar, regardless of the gyrations of currencies and interest rates in other parts of the

with all the world's policymakers desperate not to rock the financial boat before November, perhaps they have at last agreed on an international currency standard—the Dow-Nikkel-Bush standard.

Anatole Kaletsky
Money Market Services forecasts were unavailable this

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THE REVISES

#### FT/AIBD INTERNATIONAL BOND SERVICE

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## ASSOCIATES CORPORATION OF NORTH AMERICA

December 1983 = 100

U.S. \$250,000,000 Revolving Credit Facility

Arranged by:

Bank of America International Limited

Lead Managed by:

Commerzbank Aktiengesellschaft Amsterdam-Rotterdam Bank N.V. Bank of Montreal

Bank of Montreal
Bayerische Landesbank Girozentrale
The Sanwa Bank, Limited

Bank of America NT&SA
The Bank of New York
The Royal Bank of Canada Group
The Tokai Bank, Limited

Westdeutsche Landesbank

Managed by:

The Toronto-Dominion Bank

Westpac Banking Corporation

Dresdner Bank AG

Facility and Swing Line Agent:

Bank of America International Limited



**Bank of America** 

#### INTERNATIONAL CAPITAL MARKETS

**EUROCREDITS** 

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### Crowther to provide material for banks

of the same size for the same

company, which had never

BICC, the construction.

option facility announced

cables and systems concern, is

supplementing its £200m multi-

in June with a £100m sterling commercial paper programme arranged by BZW.

Meanwhile, Capital & Com-

ity will be active.

banks involved.

A 270m DEAL to help finance The new transaction last week's £93.5m manage- replaces an earlier programme ment buyout of the cloth and clothing interests of the John Crowther Group, the company: purchased earlier this year by Coloroll, the UK home furnishing concern, should provide some material for syndicators this week as many banks start to wind down business for

The two-tranche transaction, which is being arranged by S.G. Warburg, is expected to be syndicated shortly. The £50m first tranche takes the form of a seven-year term loan, while the second is a £20m sevenyear revolving credit. The margin is 2 per cent over London interbank offered rate with a commitment commission of 1/2

ancing for the management buyout at Reed International should be in general syndica-tion this week following the closing of the buyout agree-ment last Thursday night. The world have

However, there are still a "few wrinkles" to be ironed according to one banker, amid suggestions from some that matters may not be going as smoothly as expected. Meanwhile, the jury remains out on the much bigger financing that may be needed should Goodman Fledder water McDouman Fielder Wattie succeed in

Sterling commercial paper programmes proved lively lastweek, with a £200m deal for United Newspapers, arranged by Lloyds Bank Capital Markets group. The same team also announced a £100m programme, with a Eurodollar commercial paper option, for Costain, the UK building

EUROMARKET TURNOVER (\$m)

Two revolving underwriting facilities (RUFs) last week included a \$30m transaction by Yamaichi International (Europe) for Samsung Elec-tronics America, guaranteed by its parent company, and a \$75m deal for Bangkok Bank arranged by Merrill Lynch International out of Hong Kong. The five-year facility allows the Thai bank to issue certificates of deposit with one-to six-month maturities as well as an option to borrow advances on a revolving basis.
Also in the Far East, Posco,

Haig Simonian | Melwa Industry 50

18. 18.18 18. Test \$ 1

the South Korean steel group,

signed a \$270m three-tranche

transaction, led by Citicorp International. There is a com-

INTERNATIONAL BONDS

### Demand dips as Continental investors take a break

ASK ANY observant trader or syndicate manager - the weathermen may hold that we have just suffered the wettest July for 20 years, but summer has definitely arrived in the Eurobond market.

been used owing to a technical oversight regarding the bor-rowing vehicle. The lesson has Secondary trading was sub-dued overall and dealers who had been hoping that Wednes-day's set of US and UK ecobeen learned and the new facilnomic data would set some Meanwhile, Hanson Trust has become one of the very few companies which now have an kind of clearer short- to medium-term direction for the mar-kets were disappointed. Follow-"unlimited" sterling CP proing initial confusion, bond gramme, having replaced its earlier £200m deal with a limitprices in practically every sector settled down to track forless transaction. Barclays de Zoete Wedd, County NatWest and Warburg remain the key

eign exchange movements. market side that the signs of the summer wind-down were most apparent. Even Crédit Suisse First Boston could only, manage a single, largely pre-marketed dollar deal and, if the major Japanese securities houses manage to stick to their

proposed moratorium on new was not so lucky with its que Paribas Capital Markets equity warrant deals, next \$100m issue for Philip Morris was the house which managed equity warrant deals, next week looks like being even quieter - particularly ahead of US July employment data. Nevertheless, it is still possi-

ble to bring a successful deal, provided the price and name are right or that the issue offers something out of the ordinary, as a few houses managed to prove last week.
UBS Securities and Merrill Lynch managed to locate sufficient European retail accounts to make a success of Sara Lee in US dollars and Eastman Kodak in Australian dollars. Good demand was seen for the five-year Sara Lee issue, despite the dollar's seesaw antics on the foreign

Australian dollar market

Bankers Trust International

exchanges during the week, while the Kodak deal was slowed rather by the less than buoyant tone of the secondary

Credit, which was not deemed unfairly priced but was also affected by secondary market sentiment and slipped to trade outside its fees later.

Although the competition was far from fierce, applause for deal of the week must go to J.P. Morgan for its three-year issue for Austria which eventually emerged in Canadian dol-lars despite rumours that the sovereign was poised to launch a US dollar straight. Other influential houses bid keenly for the mandate but it was Morgan's proposed financial engineering in the form of an attractive swap which clinched the deal. The issue was raised to a total of C\$250m from the

C\$200m originally indicated.

At the opposite end of the attractive deal spectrum came the seven-year \$300m issue for General Electric Capital. Ban-

to beat several rivals to this mandate after the borrower

held its customary tender. Syndicate managers fear that GECC could be in danger of alienating many houses if it persists with this cost-cutting route to the market. Fights such as this one to lead new issues may be ideal for achieving a highly attractive cost of funds for the borrower, but inevitably result in a raw deal for the co-management group, with lead managers effectively

subsidising the issue.

The deal's pricing – an initial 41 basis point spread over comparable Treasuries at launch – astounded many syndicate managers. "In this con-text, to say that it was ungen-erous would be an overstatement. Given the current state of the market, at least 50 basis points would

have been the minimum we would have suggested for the borrower," said an official at a house which declined its invi-

tation to join the group.
Two other deals which met a. less than enthusiastic reception were in the Ecu sector which is still apparently groaning under the weight of new issuance. The sector remains very much at the mercy of swap rates and soon seems to reach bursting point. This was unfortunate for the week's two offerings which were otherwise fairly priced and well-managed. They included Ecul50m for LVMH Moët Hennessy Louis Vuitton via Deutsche Bank Capital Markets and Ecu75m for Mr Robert Maxwell's Maxwell Communications through

Bayerische Vereinsbank. A crop of sterling-denominated deals went down well supported by the strength of the pound on the foreign exchanges. TSB Group of the UK came to the market twice with two rather novel issues In the first, via Salomon Brothers International, the group became the first Bank of England institution to tap the burgeoning sterling mortgage-backed securities market with a £135m floating-rate note through a special purpose com-

pany, Mortgage Express. The issue is in line for a triple-A credit rating and is expected to boost the fledgling UK mortgage-backed market

TSB also tapped another young market with the issue of £100m of subordinated variable rate notes through Merrill Lynch, which appears to have cornered the market in these sues - the first international debt offering by TSB and not through an issuing subsidiary.

**Dominique Jackson** 

6.102

10.500

**B.Santander Negocios** 

29th July, 1988

Meanwhile, Capital & Counties, the UK property group, is																		
B	extending its multiple option facility (MOF) arranged in May 1987. The facility now provides for £100m in a committed cash	Borrowers US DOLLARS		Amount . m.	Maturity	Av. ilfe years	Coupon	Price	Book runner	Offer yield %	Borrowers	Amount m.	Maturity	Av. lifē years	Coupon	Price	Book runner	Offer yield
	advance facility, an uncommit- ted facility option to a maxi- mum of £150m for multicur- rency cash, advances via a tender panel; US dollar notes via a tender panel and sterling commercial paper via a dealer- ship.  An annual underwriting fee of 0.1 per cent is payable to the banks while the maximum margin on both advances and notes has been cut to 0.15 per cent a year. The intital five- vear term has been extended	Odakyu Etec. Raliwaj Daikyo Inc. \$\phi\$ Seibu Credit\$\phi\$ Mitsubishi Metal\$\phi\$ Toyo Suisan Kalsha\$ Yokkaichi Warehouse Bando Chemical Ind. Mr Max\$\phi\$ Sanwa Shutter\$\phi\$ Caska Uolchiba\$\phi\$ Shikibo Ltd.\$\phi\$ Kamigumi Co.\$\phi\$ Royal Trust Corp.\$\phi\$ Mitsubishi Estata\$\phi\$ Mitsubishi Tst. & Big Matsuvyadenki. Co.\$\phi\$	14 144 14	150 200 100 150 80 50 40 130 60 80 100 150 150 70	1993 1992 1992 1993 1993 1992 1992 1992	5445544453515	4334433344333443334443334433344433344333444333	100 100 100 100 100 100 100 100 100 101 100 100	Yamaichi Int.(Eur) Nomura int. Nomura int. Yamaichi int.(Eur) Nilkko Secs.(Eur) Nomura int. Nomura int. Nomura int. Dalwa Europe Dalwa Europe Nomura int. Nomura int. UBS Secs. UBS secs. Nikko Secs.(Eur) Mitsubishi Trust int New Japan Secs.	4 250 3.750 3.750 4 250 4.500 3.875 3.875 4.500 3.875 3.875 3.875 8.989 8.583 9.053	Dal-Ichi K.Seiyaku**§♦  Mitsubishi Tst & Bkg**§♦ Ferrovie dello stato ♦ Sunstar Inc.**§ Sata construction**§ Hotel New Hankyu Co.**§ Onamba Co.**§ Ishizuka Glass**§ Naka Industries Ltd.**♦ Banco Santander Tst.Bkg.♦ Nakamichi Corp.**§ T.H.K. Company**♦ Yuasa Funashoku Co.**\$ Mitsubishi Bank Ltd.**§ Mitsubishi Bank Ltd.*	35 100 175 80 50 50 60 14 125 50 70 200 200	1993 1993 2000 1993 1993 1993 1993 1993 1993 1994 1993 1993		12 4% (12) (1%) (1%) (12) (4% 4% (12) 4% (12) (12) (12) (0)	100 100 100 100 100 100 100 100 100 100	Handelsbank NatWest UBS Warburg Soditic Credit Suisse SBC SBC Bank Julius Baer Credit Suisse Bank Leu UBS UBS UBS B.della Sviz.Ital. Credit Suisse Credit Suisse Credit Suisse	0.500 0.500 4.875
	by one year to 1993. J. Henry Schroder Wagg remains the lead bank. Two revolving underwriting facilities (RUFs) last week included a \$30m transaction by Yamaichi International	Tobu Raitway Co.  Sumitomo Metal Mini Philip Morris Credit Mini Gen. Electric Cap.Cor Interfinance Credit Ni Saga Petroleum A/S CANADIAN DOLLARS	rp.♦ at.♦	200 300 100 300 75 95	1993 1992 1993 1995 1995 1993	5 4 5 7 5 5	(4 <sup>3</sup> 4) (4) 9 <sup>1</sup> 4 9 <sup>1</sup> 2 9 <sup>1</sup> 2 10 <sup>1</sup> 2	100 100 101 <sup>3</sup> a 101 <sup>3</sup> a 101 <sup>3</sup> a 100 <sup>3</sup> a	Yamaichi Int.(Eur) Daiwa Europe Bankers Trust Int. Banque Paribas Mitsubiahi Finance CSFB	8.897 9.200 9.050 10.400	STERLING  Exclusive Fin. No.1.† (a) Birmingham Midshires BS‡  Bristol & West BS  TSB(C)  FRENCH FRANCS	135 100 60 100	2015 1998 2000 2008	5½ 10 12 13	30bp (b) 10 % (c)	100 100 983 <sub>4</sub> 100	Salomon Brothers Baring Brothers UBS Merrill Lynch	11.068
•	(Europe) for Samsung Elec- tronics America, guaranteed by its parent company, and a \$75m deal for Bangkok Bank arranged by Merrill Lynch International out of Hong	Bank of Montreel Austria Austr	ourg.	120 250 75 65 75	1991 1991 1993 1991 1990	3 3 5 3 2	10 <sup>1</sup> 4 10 11 10 <sup>1</sup> 4 10 <sup>1</sup> 4	101 4 101 101 4 101 4 101 4 10034	UBS Secs. J.P.Morgan Secs. Wood Gundy Banque Paribas Shearson Lehman	9.799 9.801 10.665 9.750 9.570	M.Hennessy L.Vuitton  ECU  Cest.Kontrollbank  M.Hennessy L.Vuitton  Mexwell Communication  YEN	100 150 75	1991 1993 1993 1993	5 5 5	8 <sup>1</sup> 2 7 <sup>5</sup> 8 8 8 <sup>3</sup> 8	101 <sup>1</sup> 2 101 <sup>1</sup> 2 101 <sup>1</sup> 2 100 <sup>1</sup> 2	Credit Lyonnais  Merrill Lynch Deutsche Bk.Cap.Mkts Bayerische Vereinsbk	7.257 7.628 8.249
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SPANISH PESETA

LUXEMBOURG FRANCS

### G. Heileman Brewing Company, Inc.

Bk Foreign Econ.Affairs♦ Helaba Luxembourg♦

Atsugi Nylon ind. \*\*\$\( \)
Selbu Credit Co. \*\*\$\( \)
Japan Bridge \*\*\$\( \)
Nippon Paint Co. \*\*\$\( \)
Matsuo Bridge Co. \*\*\$\( \)

4463 BA 12987 - 1111

SWISS FRANCS

an indirectly wholly owned subsidiary of

**Bond Corporation Holdings Limited** 

has sold Amber Baking Inc., the successor to

**Heileman Baking Company** 

R. T. Holding SA

The undersigned acted as financial advisor to G. Heileman Brewing Company, Inc.

Ocean Capital Corporation

New York . Los Angeles . Perth

June 29, 1988

These securities have been sold outside the United States of America and Japan. This announcement

**NEW ISSUE** 

Credit Suisse Credit Suisse

B.della Sviz.Italian

100 100



Nichii Co., Ltd.

U.S.\$100,000,000 3% per cent. Bonds 1992

Warrants

to subscribe for shares of common stock of Nichii Co., Ltd.

Issue Price 100 per cent.

Nomura International Limited

**Deutsche Bank Capital Markets Limited DKB** International Limited Union Bank of Switzerland (Securities) Limited Yamaichi International (Europe) Limited

Banque Bruxelles Lambert S.A. Barclays de Zoete Wedd Limited Chase Investment Bank

**IBJ International Limited** Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.) KOKUSAI Europe Limited

Kuwait International Investment Co. s.a.k. Merrill Lynch International & Co. New Japan Securities Europe Limited

Nippon Kangyo Kakumaru (Europe) Limited Sanwa International Limited Shearson Lehman Hutton International

LTCB International Limited Morgan Stanley International The Nikko Securities Co., (Europe) Ltd. Norinchukin International Limited Sanyo International Limited

**Banque Indosuez** 

**Baring Brothers & Co., Limited** 

**Kleinwort Benson Limited** 

**Fuji International Finance Limited** 

Sumitomo Trust International Limited S.G. Warburg Securities

#### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

### United Brands acquires Spanish citrus exporter

multinational, has acquired 15 per cent of Pascual Hermanos, Spain's biggest exporter of citrus products.

The Valencia company declined to give a figure for the acquisition but said that 12 per cent of the equity had been bought from Cofir, the Spanish investment of arm of Cerus, Mr Carlo De Benedetti's European holding company, which last April purchased a 21.5 stake in

United Brands acquired a further 3 per cent from Mr Jose

Maria Pascual, the company's founder. Pascual Hermanos has subsidiaries in a dozen, European countries and made pre-tax profits of Pta1.2bn (\$9.75m) last year on sales of nearly Pta40on.
The company, previously

entirely family owned, under-went a capital increase three months ago, from Pta2.7bn to Pta4.2bn, which was largely underwritten by Cofir. Subse-quently it issued Pta2bn of convertible bonds, which were again acquired by Cofir. Following the entry of United Brands into the group, Pascual Hermanos now plans a stock market listing next month, but it is understood that the family will retain a

majority of the shares.

Hermanos said United Brands products, in particular bananas, pineapples and grape-fruits, complemented the essentially orange-based production of Pascual Hermanos. The link with the multinational would help the Spanish company to grow in North America and in the Middle and Far East.

### Santander in Italian bank deal

By Our Financial Staff

BANCO SANTANDER, Spain's cluded after more than a year fourth largest bank, has con-cluded a deal to acquire a 30 per cent stake in an Italian bank owned by Cassa di Ris-parmio delle Provincie Lombarde (Cariplo), Italy's biggest

savings bank. Santander will gain a signifi-cant foothold in Istituto Bancario Italiano (IBI), Italy's 12th biggest commercial bank. The bank, which has 69 branches, is wholly owned by Cariplo.

Under the agreement — co

of negotiations which last month ran into further snags - Cariplo will in return receive up to 30 per cent of Banca Jover, a retail bank in Spain's booming north-east region of Catalonia, a joint statement said.

In addition, Cariplo will receive a stake of about 1 per cent in Banco Santander and an unspecified cash consideration. Santander added.

Santander, which recently

sold off subsidiaries in four Latin American countries, last year acquired a small West German bank, Bankhaus Centrale Credit. Santander has also said it plans to buy Credit du Nord Belge, the Belgian banking subsidiary of France's Credit du Nord, in a cash

ransaction. Talks between Santander and Cariplo came close to collapse last May when the Carlplo board vetoed an earlier proposed share swap agreement.

### Westpac keeps clear of BNZ

WESTPAC, one of Australia's retail banking market and it in the world's top 100 banks, leading banks, has ruled itself would be unreasonable to both acquisitions and capital leading banks, has ruled itself out as a bidder for Bank of New Zealand (BNZ), which the Wellington Government is

seeking to privatise.

Mr Stuart Fowler, Westpac managing director, told a Securities Institute of Australia meeting in Sydney that Westpac already accounted for 22

expect also to control the 38 per cent held by BNZ.

Mr Fowler's comments followed the announcement in the New Zealand budget last week that BNZ and a number of other government-held assets would be privatised. He acknowledged that if Westpac

raisings would be needed.

Mr Fowler dismissed concern that Westpac might struggle to meet new central bank capital adequacy requirements, pointing out that the bank's recent A\$750m (US\$605m) share issue and A\$900m property portfolio revaluation had bolstered the

### Purchases help sales rise at Everite

By Jim Jones in Johannesburg

ACQUISITIONS restructuring have contributed to an 11 per cent increase in annual sales by Everite, the South African fibre cement company controlled by the Swiss Eternit group.

Last year the concrete division was sold, the plastic pipes division was merged with a competitor and the building products interests of former competitor Turner & Newall were consolidated for the full

Turnover increased to R324m (\$133m) in the year to June say the figures are not strictly comparable.

#### Singer sells **American** Meter unit to Ruhrgas

By Anatole Kaletsky in New York

SINGER, the US electronics SINGRIA, the US electronics and defence conglomerate controlled by Mr Paul Bilzerian, the Florida corporate raider, has agreed to sell its American Meter division for \$132m to Ruhrgas of West Germany.

The sale brings to about \$1.7bn the total proceeds of various divestments under-

various divestments under-taken by Mr Bilzerian since he acquired Singer in January

this year.

Mr Bilzerian obtained control of the Connecticut-based Singer, which was at one time the world's leading manufacturer of sewing machines, but diversified successfully into electronics, after a lengthy and acrimonious takeover battle which was interrupted by last October's stock market crash.

when Mr Bilzerian revived his hid for the company last autumn, there was widespread scepticism about his ability to finance a takeover.

When Singer finally agreed in January to be bought for \$1.06bn, Wall Street also wondered whether the corporate raider had overpaid once other costs had been taken into

In the past six months, however, Mr Bilzerlan seems to have had no difficulty in persuading buyers, several of them foreign, to pay larger than expected sums for Sing-er's peripheral operations. As a result, he has now obtained control of the com-pany's core defence electronics business for little or no outlay.

It appears in retrospect that Mr Bilzerian was right in his view about the stock market's inability to put a correct valu-ation on Singer's many small subsidiaries, several of which, like American Meter, were operating in relatively obscure

and unglamorous industries.

American Meter supplies American meter supplies residential gas meters to utility companies. It is based in Philadelphia and has several facilities in North America and Europe. Its annual sales and profits were not disclosed. Ruhrgas, the leading German distributor of natural gas, is owned by a number of the country's energy companies.

### Canadian forest groups well ahead

products companies have reported sharply higher profits for the first half.

British Columbia Forest Products, controlled by Fletcher Challenge of New Zea-land, earned CSMAm (USY78m) net or C\$1.63 a share in the half-year to June, up from C\$65.1m or C\$1.15 a year earlier on sales of C\$749m against

Second quarter profit was C\$48.9m or 85 cents a share against C\$32.4m or 57 cents on sales of C\$393m against Noranda Forest, which is

now Canada's largest forest products group and includes MacMillan Bloedel, had first-half net profit of C\$134m or C\$1.29 a share, up from C\$98m or C\$1.12 a year earlier on revenues of C\$2.23bn against C\$2.08bn. The company said demand and prices for all prod-ucts except lumber were strong and offset the impact of the higher Canadian dollar. Domtar, which has interests

BIG CANADIAN forest in paper, packaging, building products companies have reported sharply higher profits for the first half. net earnings of C\$24m against C\$44m (25 cents a share from 47 cents) as revenues dipped to C3646m from C\$657m.

> BOW VALLEY Industries, the Canadian oil and gas group in which British Gas earlier this which British Gas earner ima-year bought 51 per cent con-trol, dipped slightly into the red as a consequent restructur-ing took effect in its latest quarter to June, Our Financial Staff writes.
>
> The net loss of C\$500,000

> The six-month result was C\$61m compared with C\$88m (64 cents against 95 cents). s were up at C\$1.32bn from C\$1.26hm.

ting lower earnings from pack-aging.

(US\$413m) or 7 cents per share

A strong performance in forest products and energy brought good results for Con-solidated-Bathurst (CB), offset-

Interest income was higher and earnings also benefited from a lower tax rate and larger contributions from Mac-Millan-Bathurst, a joint pack-aging venture, and the Celgar pulp mill in British Colombia jointly owned with the Chi-

compares with C\$18.9m profits (33 cents a share) for the same period of 1987. Revenues rose to C\$70.1m from C\$55.7m.

Over the first half, not profits were cut to CS6.9m from C\$31.3m: on a per-share basis this was break-even compared with 51 cents earnings. Sales were C\$129.4m.

CB's second quarter net earnings were C\$59.9m or 57 cents a share, up from C\$43.3m or 38 cents a year earlier on sales of C\$609m against C\$573m. First half earnings were C\$113m or C\$1.05 a share, up from C\$76.3m or 67 cents on sales of C\$1.19bn against

CB Pak its main packaging subsidiary, had first-half earnings of C\$14m or 65 cents a share against C\$13m or 65 cents on sales of C\$245m against C\$252m.

against Casan.

Power Corporation, which owns 40 per cent of CB, lifted net profit to C\$104.4m or 79 cents a share from C\$90.7m or 68 cents, on revenues of C\$111m against C\$37m. The company embraces the financial services. cial services, communications and industrial interests of Mr Paul Desmarais, the Montreal financier.

Power Financial, the 69 per cent owned financial services subsidiary, had first-half profit of C\$79m or 87 cents a share against C\$81m or 90 cents a year earlier. Second-quarter net was equal to 44 cents against 43 cents. The first-half decline was

due mainly to the investors Group subsidiary, Canada's largest mutual funds group, where sales were affected by the post-October crash atmo-

#### Swissair first-half profits boosted by heavier traffic

By John Wicks in Zurich

SWISSAIR reports "gratifying" results for the first six months, following the continuation of an upturn in traffic which began in the final quarter of

Preliminary operating accounts show a 5.6 per cent rise in total revenues in comparison with the corresponding period of last year to just under SFr2bn (\$1.28bn). Gross profits for the period increased sharply from SFr103m to

With depreciation up by only SFr13m to SFr135m, the airline posted its first net profit for the January-June period since

Swissair expects a "satisfac-tory" result for 1988 as a

WELLA, the West German hair

care and cosmetics group, lifted group pre-tax profits 8.1 per cent to DM71.8m (\$38.2m)

in the first half to June as sales, buoyed by acquisitions,

By Our Financial Staff

**Acquisitions lift Wella** 

whole Last year net earnings improved by 11.8 per cent to a record SFr72.1m, enabling divi-dends to be raised from SFr33 to SFr36 per share and from SFr6.60 to SFr7.20 per partici-

pation certificate.
At the same time, shareholders have been informed that Swissair is "giving consideration to raising its share capital." tal." This is explained by the airline's recent equity partici-pations in Crossair and Austrian Airlines, and the Galileo and Covia reservation systems. US federal authorities on Friday approved the sale by UAL, parent of United Airlines, of half its Apollo system to Covia, a European-controlled

grew 12.4 per cent to DM1.01bn.

For the Wella parent com-

pany alone, pre-tax profit was given as DM22.1m against DM20.4m.

### Saga Petroleum raises Eurobond issue to \$95m

By Karen Fossii in Oslo

SAGA PETROLEUM.the Norwegian oil independent, plans to use its latest Euro-bond issue to help fund invest-ments in offshore oil and gas

The five-year issue was increased to \$95m, at 10% per cent and 100%, from \$75m because of good demand, lead manager Crédit Suisse First Boston said.

Mr Per Fjaermestad, a senior executive with Saga, said the company's long-term financing strategy was to tap capital markets further. The new issue, however,

does not pre-empt earlier plans announced in June to launch a convertible Eurobond of between \$100m and \$150m

when market conditions become favourable. Terms of the convertible issue have yet to be finalised-but Saga said the conversion premium would be a minimum 20 per cent above the market price of the company's shares.

Saga has until September 1 to launch the issue after which it will have to seek a new man-date to extend the deadline.

Saga is gearing up for devel-opment of its NKrahm Shorre oil and gas field off the west coast of central Norway. The field is one of the largest known untapped resources on Norway's continental shelf and Saga plans to bring it into pro-

### Kyowa Hakko up 26.9%

By lan Rodger in Tokyo

PRE-TAX PROFITS of Kyowa Hakko, the Japanese pharma-centical, chemical and drinks group, rose 26.9 per cent to Y11.3bn (\$85m)in the first half, thanks to brisk drug sales. Net profits rose 12.5 per cent to Y4.3hn, but the interim dividend was held at Y3 per share. Kyowa Hakko expects its pre tax profit to reach Y21bn in the full year, up 23.3 per cent.

This announcement appears as a matter of record only.



### Fletcher Challenge Limited

has invested in 50% of the share capital of

PISA-Papel de Imprensa S.A.

The following institutions advised and assisted Fletcher Challenge in a variety of Brazilian debt/equity conversion transactions totalling

**U.S. \$50,830,000** 

Morgan Grenfell & Co. Limited



This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or

New Issue / July, 1988

Can. \$125,000,000

### **General Motors Corporation**

101/4% Notes Due July 19, 1995

Salomon Brothers International Limited

J. P. Morgan Securities Ltd.

Morgan Stanley International

**Shearson Lehman Hutton International** 

Banque Bruxelles Lambert S.A.

**BNP Capital Markets Limited** 

Commerzbank Aktiengesellschaft

**RBC** Dominion Securities Inc.

**Daiwa Europe Limited** 

Mitsui Finance International Limited

Smith Barney, Harris Upham & Co. Incorporated

Generale Bank Nomura International Limited

Société Générale

#### **UK COMPANY NEWS**

Runciman

forecasts

29% rise

By Clay Harris

to near £4m

earnings per share of 28.2p for 1988, it has reduced its divi-

dend cover for the current

year to just below three times, from 8.6 in 1987. However, Mr

Garry Runciman, chairman, said that takeover rules pre-

vented him from giving any

indication what assumptions were being made for cover in

Telfos responded to the fore-

cast by saying that current

dividends on the units it is

offering Runciman sharehold-ers (comprising ordinary

shares and preference share

warrants) would already exceed the target company's forecast 1989 dividends.

On Friday, Runciman shares

closed 2p lower at 343p, and Telfos shares fell 1p to 171p.

The value of the bidder's

increased paper offer has slipped slightly from 360p

when it was announced on

Thursday. The cash alterna-

tive is 328p. The bid closes on

Taxable profits of AMS Industries fell sharply from £947,000 to £263,000 in the six months ended May 31 1988,

but this maker of microproces-

sor based systems is paying an unchanged interim dividend of

Mr David Moulds, the chair-

man, described the results assisappointing, but had to be taken in context with the fact

that targeted profits for the

current year as a whole were constructed to be heavily

eighted towards the secon

half. This recognised the costs of reorganisation and the tra-

AMS Inds

falls sharply

in first half

## De La Rue paying £3.9m for Dutch ticket printer By Ray Beathford Security countries, including Britain, which last year totalle

sound launching pad from which to expand if legislation

was passed to allow the cre-

ation of more national lot-

The British government is

considering several proposals to reform existing legislation and encourage the use of lot-teries as sources of funds for special projects. The establish-ment of a National Health Ser-

vice lottery has been one of the

more controversial proposals.

A decision from the govern-ment is not expected for some

time. However, the prospect of reform was clearly an impor-tant factor behind the acquisi-

West Germany is ILS's larg-

est market with other Euro-

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1, 1995

Constitution of the Consti

DE LA RUE, the security countries, including Britain, printing and printing technology group in which Mr Robert Maxwell and business associates have a 14.9 per cent holding by the sound launching pad from ing, has purchased ILS Systems, a Dutch specialist lot-

try ticket printing group.
The £3.9m acquisition of the Eindhoven-based group is in line with De La Rue's plans for off-shore expansion and gives it a stake in the international lottery ticket market, which the company believes holds considerable scope for growth.

Consideration for the purchase is an issue of 604,000

shares to the value of £2.8m, with the remainder in cash.

ILS prints lottery tickets for governments and state governments, employing a computer-based system which Mr John White, De La Rue's finance director, says lends a high level of security and integrity to the Dutch group's operations. Several European

Merrydown advances 16%

Merrydown Wine, East Turnover improved by £1.26m to £11.96m.

the case Estraings per share for this USM-quoted company were 22.67p (19.84p). The directors are recommending a final of 5p for a total dividend of 6p against 5.33p. A one-for-eight serin is also proposed.

Sussex-based cider producer, saw taxable profits for the year ended March increase by 16 per cent from £1.27m to £1.48m.

scrip is also proposed.

WACE GROUP, pre-press 7.2p (4.1p). A 25 per cent rise in the interim dividend to 1.25p has been declared. Over the services concern, reported pre-tax profits more than doubled, on a merger accounting basis, from £1.41m to £3.01m for the

After a tax charge of £1.14m (£590,000), earnings per 20p which last year totalled £2.5m. The company returned pre-tax earnings of £800,000 Mr White said that ILS's

technology could be trans-ferred to Britain and other European countries if the use of lotteries increases.

De La Rue is a producer of lottery sorting equipment. It already supplies France and Spain and will seek to expand lottery operations through existing links in South America, the Middle East, the Far East and the US.

During the last financial year 85 per cent of De La Rue's turnover of £484m was derived from international operations and pre-tax profit increased 12 per cent to £82.4m.

De la Rue has also agreed with G.P.S. Honsel, a West German manufacturer of lottery ticket production equipment, to act as its representative pean and African countries adding to group turnover with German government

#### Wace profits doubled to £3m at halfway

six months to the end of June. This result was achieved on turnover lifted £10.38m to

period, Wace has acquired 10 trading operations for a total of Mr John Clegg, joint manag-ing director, stated that bud-

gets for 1988 were geared for a stronger second half and he looked forward to a year of share increased 76 per cent to impressive growth in profits,

### Zurich agreed bid for Ecobric

development group, has announced a recommended bid for Ecobric, the loss-making demolition company, together with a fam placing and a move to the USM. The deal follows the abandonment of two earlier reverse takeover attempts in

The offer is in shares and values Ecobric at £9.4m; based on the placing share price of 75p. The market capitalisation of the enlarged group will be

In a letter to shareholders,

£11,000,000 £6,000,000

£17,000,000

County NatWest Limited ·

Drapers Cardens
12 Throgmorton Avenue
London EC2P 2ES

pendent company were not encouraging. There would only be limited and slow progress

For Zurich, a major attraction of the deal was that it would broaden its industrial base. Furthermore, said Zurich, it would use its USM quote to expand by acquisition. It would seek new property ets with development potential and industrial companies compatible with Ecobric's pres-

without major refinancing,

ent business Mr Ronnie Aitken, Ecobric Bcobric is forecast to make a chairman, said the merger had pre-tax-loss of, at most,

(formerly Television South plc)

Admission to Listing

Proposed acquisities of

MTM Entertainment Inc.

Open offer by

COUNTY NATWEST LIMITED

of 49.863.618 convertible preference shares

at 100p per share and the proposed issue of 21,233,174 new ordinary shares

Share Capital

Ordinary shares of 10p each Convertible preference shares of 10p each

Application has been made to the Council of The Stock Exchange for the Company's ordinary and convertible preference share capital and convertible loan stock to be admitted to the Official List. It is expected that dealings will commence on 4 August 1988.

Listing particulars relating to TVS ENTERTAINMENT PLC are available in the Extel Service and copies of that document may be obtained during normal business hours up to and including 15 August 1988 from the Company Amouncements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A IDD and from:

-1 August 1988.

TVS ENTERTAINMENT PLC

ZURICH, a private property been sought since the pros-development group, has peets for Ecobric as an inde-ary 31 1989. ary 31 1989.

Zurich, which mainly deals in commercial and large-scale residential projects in the south east of England, forecasts a £6m pre-tax profit for the nine months to January

Zurich is offering three shares for every 10 Ecobric ordinary or deferred shares, and 12 shares for every £10 in convertible loan stock. Undertakings to accept the offer have been received for 72 per cent of the ordinary shares, 79 per cent of deferred and 0.2 per cent of the loan stock.

Issued and to be issued

TVS ENTERTAINMENT PLC

£5,961,633 £4,986,362

£10,947,995

ditional bias of the contracts This advertisement is insued in compliance with the Regulations of the Council of The Stock Exchange. It does not constitute an invitating to the public to subscribe for or purchase any securities of the Council of t of the Calrec side of the busi-Turnover £3.33m to £3.04m. Tax took £92,000 (£331,000) and earnings per share came out at 0.56p (2.02p).

£28,06m.

Optical and Medical Optical and Medical International raised pre-tax profits by 30 per cent from £3.92m to £5.1m in the year to March 31 1988. Turnover increased to £40.69m, against

Earnings per share were 10.2p (9.4p). The directors recommend a final dividend of 3.1p making a total of 4.6p

### Right price could sway loyalists Clare Pearson on the bid defence from Wolstenholme Rink

HE 227m bid for Lanca-shire-based lithographic materials and metal powders group Wolstenholme Rink is right in line with many WALTER RUNCIMAN, the shipping and safes group resisting a £31.8m takeover bid from Telfos Holdings, is other deals carried out by Cookson Group, the specialist metals and chemicals manufacturer which in recent years has forecasting pre-tax profits of £3.8m for this year, a 29 per cent advance over the 1987 turned the small, add-on acquisition, into an art form.

As Mr Stuart Wamsley,

chemicals analyst at Morgan Runciman also expects to Stanley, says: "Wolstenholme is right up Cookson's street: it pay a net dividend of 13.50 in 1989. This would be more than would be another piece in the double the 6.5p it paid last jigsaw of specialist materials interests it has assembled." year and 42 per cent above the 9.5p already forecast for 1988. With Runciman forecasting

On this view, it differs from all the other deals in just one respect: Wolstenholme's directors are adamant they do not want to be taken over. Says Mr Tony Rink, joint managing director: "I'm not saying we've got a flawless record, but we know our businesses and we don't need Cookson."

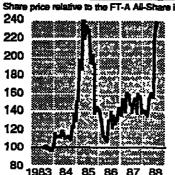
He claims, moreover, to have an army of supportive share-holders behind him. Many are connected one way or another with the founding families.

So, as the first sally by Cookson - which has stood far askance from the machinations of the stock market in the past the bid commands attention far beyond its financial implications. On those grounds, indeed, it is just a drop in the ocean for Cookson, a company capitalised at nearly £1bn.

But it could create a precedent for how Cookson behaves, and what price it is prepared to pay, when bidding for quoted companies, should it make any

On this theme, Cookson made an intriguing and apparently uncharacteristic move just before the bid for Wolstenholme was announced on July 11. It took a 6.3 per cent stake in precious metals and materials technology group Johnson Matthey, which is about half its size in terms of market capitalisation.

Intriguing, because what Mr Michael Henderson, Cookson chief executive, insisted on calling a "strategic invest-ment" brought into question what attitude Johnson Matthey's 38 per cent shareWolstenholme Rink



holder Charter Consolidated, and a stream of other mining companies connected together through historic cross-shareholdings, would take if Cook-son was to bid for Johnson

Against this background, the Wolstenholme bid actually moved Cookson's share price upwards - since the immediate, and not thoroughly logical, would use up management time that could not then be allocated to pursuing Johnson Matthey.

But this aspect aside, if Cookson could repeat with Wolstenholme what it has done so often and so well - buying small companies and making them more profitable why should the target group's shareholders not capitulate?

Wolstenholme can claim steady but unspectacular growth over the last few years apart from the downturn in 1965, when it made a £1.05m write-off against its investment in a joint venture in the US. Subsequently, it has bought out its partner, although the business, which has a process to add colour to photocopiers, is described by Mr Rink as 'still limping."

The most obvious defence for Wolstenholme to rest upon is price. On Friday, Cookson's five for three offer valued Wolstenholme's shares at 436p which was a good 61p below their close.

"Judging by the price they're offering, you'd think they hadn't realised they weren't

broader range of products than Horsell, which mainly concen-Profit/loss (Emilion) trates on offset plates. Before tax
Attributable to
shareholders

Mr Rink also takes issue with Cookson's claim that Openshaw could benefit from Cookson's international network, saying it already exports about 40 per cent of its produc

As far as the other businesses are concerned - which consist of making brass flakes, used to make gold printing inks, and aluminium metallic flakes, used in aerated concrete and explosives, Mr Rink says he is "baffled" to see any link with Cookson's metal powders

quietly taking over a private company," says Mr Derek Netherton of Schroders, Wol-stenholme's advisers. Against this, Mr Munro says Cookson has wide experience in a range of metal powders businesses, which could surely Cookson finance director, said on Friday: "We believe we are be usefully brought to bear on Wolstenholme's processes.

However, Mr Fergus Munro,

ther evidence on Wolsten-

multiple of about 11 times. It is

the company in March. Wolstenholme is not, how-

price considerations. It also

claims Cookson's assertion in

its offer document that there is

clear industrial logic for the

deal is faulty. Mr Rink claims that as far as

its fast growing business,

Charles Openshaw, which sup-

plies a range of products to the offset printing industry, is con-cerned, Cookson is merely try-

ing to remove a competitor. It

was this business, which dove-tails with Cookson's Horsell

subsidiary, that Cookson origi-nally said it wanted to buy. According to Mr Rink, Hor-

sell, with turnover of about

£80m per year, against Open-shaw's £20m, ranks second -

with Openshaw third - in

British offset printer suppliers.

out increasing it.

offering a very generous price, and in the absence of any fur-Though Openshaw has grown much faster in recent years, metal powders may be especially dear to the hearts of the Rink brothers, Wolsten-holme's joint managing direcholme's prospects, I would rule He says the historic p/e of just over 13 which is on offer is tors. These businesses formed the original basis of the comwell above the sector's historic pany when it was founded in

also substantially above the price of earlier this year of Wolstenholme's tightly held Indeed, before Cookson's bid the Rinks had been in celebratshares, which began to move up at roughly the same time Cookson originally approached ory mood this year over the 50th anniversary of the foun-ding of what was then called Milled Metal Powders. It was conceived when Mr John Wolever, resting its case only on stenholme, a Lancashire entre-preneur, met their father, an Austrian refugee with the right

technical expertise.

However, by a bitter irony,
Cookson was in a sense already an owner of the company at that stage. Its forerun-ner, Goodlass Wall and Lead Industries, held a 50 per cent stake in the original venture -although this was divested in the early years of the war.

However, whatever industrial arguments are advanced by Wolstenholme, it is hard to see them playing much of a role in shareholders decisions. Price is almost certain to be the determinant - and maybe the sentiment of those substantial, but unquantified, shareholders with family connec-However, Openshaw has a

### **Bristol Water issue terms** could interest French

employees will be given prioring the UK.

ity in the application for £6m of convertible of new convertible preference stock to be issued by Bristol be issued will not carry votes. Waterworks Company, if shareholders approve the move at today's extraordinary meeting.

Bristol intends to raise further funds with a conventional offer of ordinary voting stock for sale by tender.

This is likely to interest two French water suppliers -Compagnie Générale des Eaux and Lyonnaise des Eaux which hold nearly 54 per cent of Bristol's voting capital between them. Lyonnaise has declared agreed offers for Essex and East Anglian water companies unconditional with just under 82 per cent and 89 per cent acceptances respectively, and is thought to be

LOCAL CONSUMERS and interested in further expansion

but when converted into ordinary stock - which does carry voting rights - could have the effect of slightly diluting the French holdings in the company. The terms of conversion have not yet been decided by Seymour Pierce Butterfield,

The company is entitled to give consumers and employees priority in such share issues, with the approval of the Secretary of State for the Environ-ment. The DoE asked Bristol to hold an EGM to approve the measure.
Proceeds of the issue will be

used towards the redemption: of outstanding preference stock in November.

To the holders of

The Mitsubishi Trust and Banking Corporation

U.S. \$100,000,000 21/2% Convertible Bonds due 2001

U.S. \$100,000,000 13/4% Convertible Bonds due 2002

NOTICE OF OFFERING OF SHARES TO SHAREHOLDERS AND ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 of the Trust Deeds dated 7th May, 1986 and 7th August, 1987 you are hereby notified that an offering of Shares of our Company at the rate of 0.1 Share for each one Share will be made on 30th September, 1988 at an issue price of Yen 1.650 per Share to the Shareholders of record as of 31st July, 1988. As a result of such offering the Conversion Prices at which Shares are issuable upon conversion of the said Convertible Bonds will be adjusted pursuant to Condition 5 of the Bonds from Japanese Yen 1.571.80 per Share of common stock to Japanese Yen 1.502.80 per Share of common stock in the case of the Bonds due 2001, and from Japanese Yen 3.972.40 per Share of common stock in the case of the Bonds due 2002, effective in each case Ist August, 1988. case list August, 1988.

The Mitsubishi Trust and Banking Corporation. Dated; 1st August, 1988.

#### Shield expands 28% to £1.6m

reported pre-tax profits of £1.6m for the year to March 31. This figure represents a 28 per cent increase on last year's £1.25m, restated to allow for a change in the basis of account-

The Shield Group, the ing.
USM-quoted property develus agent, has to £15.18m (£6.72m). After tax up £152,000 to £565,000, earnings per 5p share worked through at 6.21p (10.4p). The directors have recommende maintained final dividend of 2p for an unchanged total of 3p.

### Cardiff Property profit trebled

Cardiff Property turnover was £106,628 (£67,075) for half year

profits £48,469 (£16,402).Earn-£106,828 (£67,075) for half year ings were 1.34p (0.56p) and to March 31 1988 and pre-tax interim dividend 0.65p (0.6p).

#### FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:
Anglesey Mining (Section: Mines-Miscellaneous). fines-<u>Miscellane</u>ous). Bear Brand (Ord. & Warrants)

Bucknell Austin (Buildings). Caldwell Instrumenta (Third Market).

Hi-Tec Sports (Leisure). Tranwood (Ord. & Warrants) (Trusts, Finance, Land).

**BOARD MEETINGS** 

The following companies have notified diseas of board meetings to the Stock Exchange. Such meetings are usually half for the purpose of considering dividence. Official indications are not available as to whether the dividencis are interims or finals and the subdividence shown below are based mainly on last year's timetables. Interime-Commercial Bank of Near East, Consol Bullonion Miles, Griqualized W Dia-mond Mining, Isle of Man Enterprises, Pap-cer Systems. Finate-Ransect, OSC, Malomet, Seville Gor-tion, Wayerley Cameron.

Aug 8 Aug 4 Sept 20 Aug 11 Sept 25 Aug 10

#### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table The dates shown are those of last year's announcements except whithe forthcoming board meetings (indicated thus ") have been official notified. Dividends to be declared will not necessarily amounts in the column headed "Announcement last year."

This advertisement is issued in compliance with the requirements of the Council of the International Stock Exchange of the United Kingdom and Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase securities in Serif Cowells plc ("the Company"). Application will be made to the Council of The Stock Exchange for permission for dealings in the Ordinary Shares of the Company issued and to be issued to take place in the Unlisted Securities "arket. It is emphasised that no application has been made for these securities to be admitted to listing. Dealings in the Ordinary Shares aforesaid of the Company are expected to commence on 4th August, 1988.

COWELLS PLC (Registered in England and Wales under the Companies Act 1985 No. 1664855) following the merger with San Serif Limited to be renamed

Open Offer

by

Lloyds Merchant Bank Limited and Albert E. Sharp & Co. of 2,500,000 Ordinary Shares of 25p each at 160p per share

Share Capital

in Ordinary Shares of 25p each

issued and to be

On completion of the merger of the Company with San Serif Limited the vendors of San Serif Limited ("the Vendors") will be issued with 16,100,000 new Ordinary Shares of the Company of which they will retain 14,600,000 such shares. Lloyds Merchant Bank Limited and Albert E. Sharp & Co. have entered into a conditional agreement with the Company and the Vendors to make the Open Offer referred to above which comprised 1,500,000 of the new Ordinary Shares aforesaid sed to the Vendors and which are not being retained by them and 1,000,000 new Ordinary Shares to be issued by the Company for cash.

Following the merger, the core activities of the enlarged group are leisure, printing and publishing. Particulars relating to the Company and the merger are contained in new issue cards circulated by Extel Financial Limited. Copies of the Open Offer document which reproduces those particulars may be obtained, during normal business hours on 2nd and 3rd August, 1988, from the Primary Markets Division of The Stock Exchange, 46-50 Finsbury Square, Loudon EC2A IDD and, up to and including 15th August, 1988, from:

Lloyds Merchant Beak Limited 49-66 Queen Victoria Street, London EC4P 4EL

Embassy House, 60 Church Street.

Serif Cowells ple Lovetofts Drive, Ipswich, Seffolk IP1 5LH

ENANCIAL TIMES STOCK INDICES

Albert E. Sharp & Co. 6/7 Queen Street, London ECAN ISP

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11		July.	July,	July.	July.	July.	July.		988	Since Com	
11		29	<u> 28</u>	27	26	25 (	22	High	Low	High .	Low
П	Government Secs	87.94	B8.04	87.84	87.80	87.92	87.88	91.43	86.97	127.4	49.
11	Fixed Interest	97.57	97.48	97.42	97.40	97.44	97.39	98.67	94.14	105.4	50.
IJ	Ordinary	1488.7	1480.7	1478.8	1473.0	1474.1	1479.4	1510.5	1349.0	1926.2	49
1	Gold Mines	203.8	204.5	209.4	213.2	215.0	214,7	312.5	195.4	734.7	43
	FT-Act All Share	965.18	960.10	958.99	958.20	957.99	962.01	973.43	870.19	1238.57	61.
	FT-SE 100	1853.6	1841.3	1B40.8	1837.7	1838.5	1844.8	1879.3	1694.5	2443.4	986

#### Toks advertisenance is issued in complisince with the copietements of the Council of The Steek Enchange. Application has been made to the Council of the Stock Enchange for the grant of permission to deal in the wil Derek Bryant Group p.Le. in the Unkined Societies Marker. This adventments appears as a names of secon public to subscribe for absent. It is emphisized that no application has been made for these monthins to be ad Derek Bryant Group p.l.c. (to be renamed D.G. Durham Group plc) (Registered in England No. 1660706) following the reorganisation of Derek Bryant Group p.Lc., Acquisition of NCV Group Holdings Limited, Rights Issue of 6,386,950 new Ordinary Shares of 10p each at 50p per share, Changes in the Board of Directors and • Change of Name Share Capital Issued and fully paid Authorised Ordinary Shares of 10p each £1,916,085 £2,500,000 in Spin Limit Business Derek Bryant Group p.l.c. (to be renamed D.G. Durham Group pic) will be the holding company of an insurance broking group with interests in marine, specie, crop and hail, travel and professional liability insurance and minsurance. It operates from premises in Loudon, Cardiff, St. Louis, Missouri and Tampa, Florida. Its principal sources of business are the United Kingdom, United States and mainland Europe. TO THE RESERVE Particulars emits relating to Derek Bryant Group p.i.c. are available in the Entel Unlisted Securities Market Service and copies the Particulars Card may be obtained during normal business hours on any weekday (Saturdays excepted) up to and Carparate fra ling 15th August, 1988 from: Derek Bryant Group p.l.c., Brown, Shipley & Co. Limited, Founders Court, CL-Alexanders Lating & Cruickshank. 39 Botoloh Lane, London EC3R 8DE. Alice is the Piercy House, 7 Copthall Avenue, London BC2R 7BE. London BC2R 7HE. fst August, 1988 in wife Children )

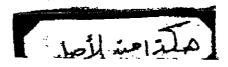
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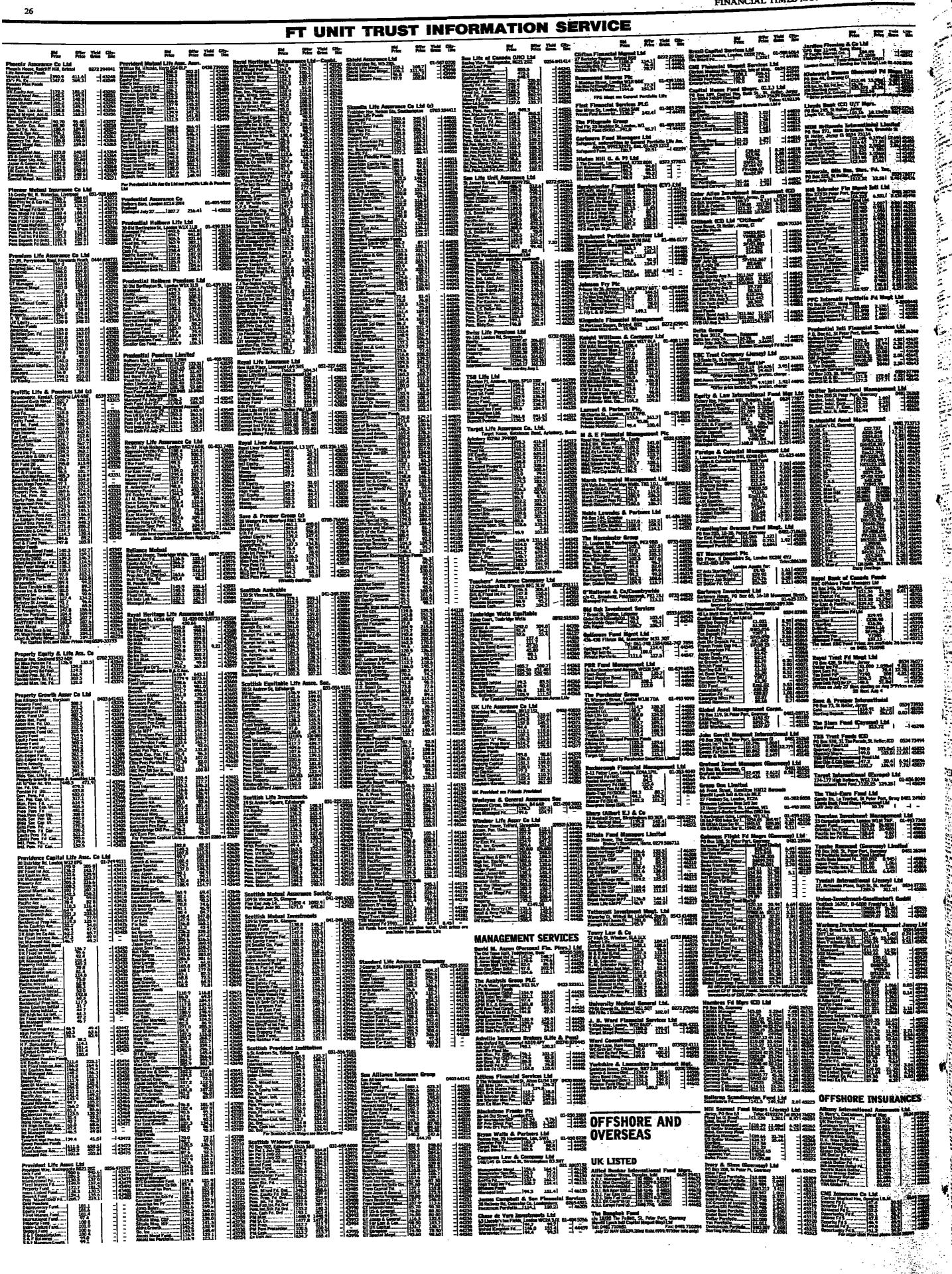
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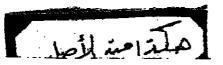
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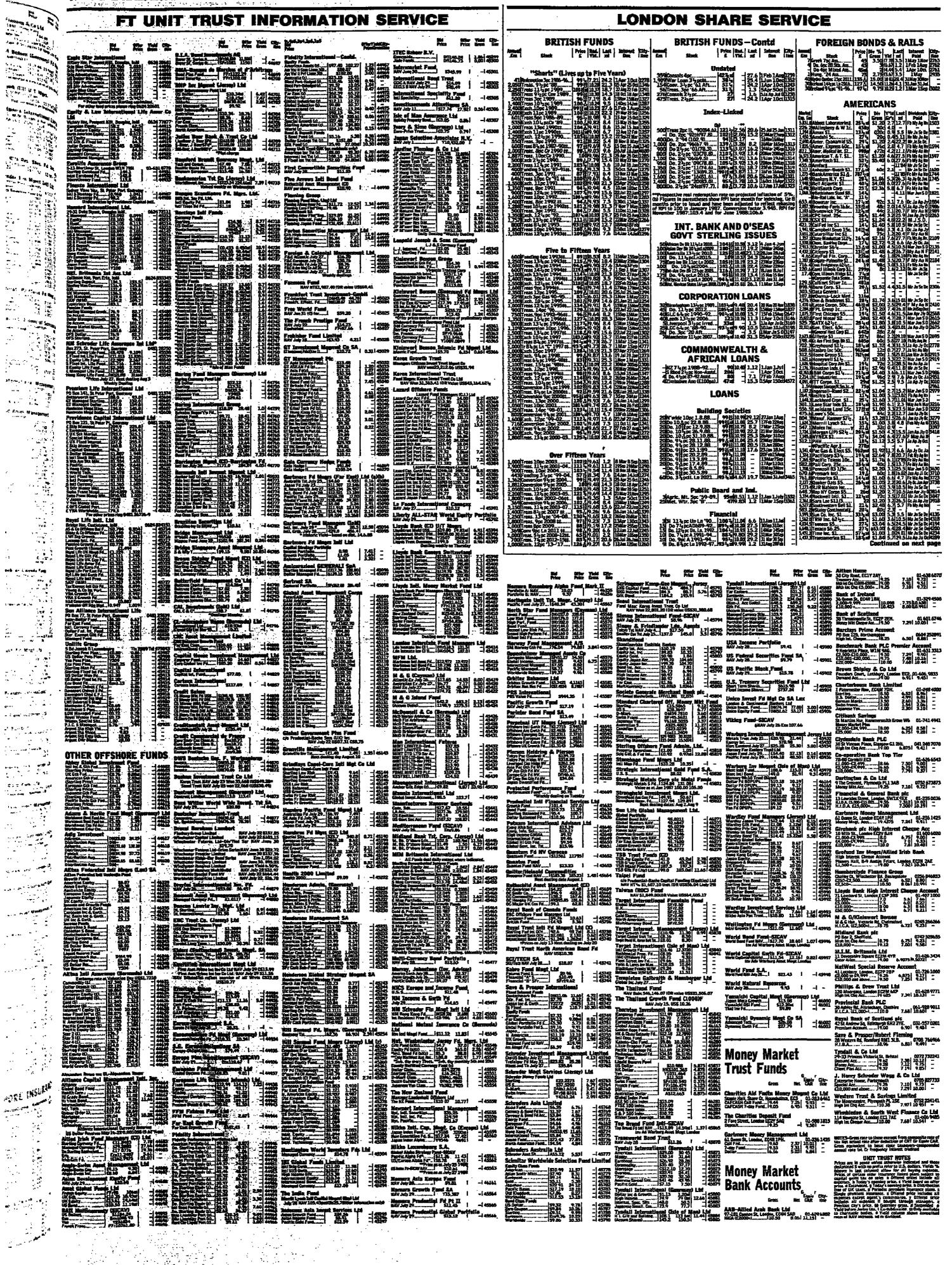
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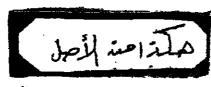
MY AUGUST





28	NDON	SHARE SE	PVICE	F	INANCIAL TIMES MOND	AY AUGUST 1 1988	
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· · · · · · · · · · · · · · · · · · ·	3.54 the last Notor 10p. y 45g 3004 51.30c 415 (300c 50.30c	9-1g-EO La 2002-y \$129(94)-\$4/8.0(23.5) - 1685 et Proporty 1625-y \$130(8.6.%) 3.02.2 t klar Sept 1436 et Contyval 5 pt \$1304 - 3.6 t 12.18.7 t lan Sept 2777 et lance Contyval 5 pt \$2.6 t 1.11.4 Apr 001 2508 et lance Contyval 5 pt \$2.6 t 1.11.4 Apr 001 2508 et lance Protect 16 \$2.6 t 1.15 2.425.4 Dec. July Dec. 2024 - 9.	L SChrierische im. 50s. v 60s.	11. 9 Asset Trist 10p v	18.3   2.4   2.4   2.5   2.5   4.7   2.4   2.5   2.5   4.7   2.5   2.5   4.7   2.5   2.5   4.5   2.5	THIRD MARKET  THIRD MARKET  Of 19 100 1 175 L6.34 4.8 150 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
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21 12 1	13.0	or Extents 59 (2014)  moreston LT	1.6 Flemtog Oversex, B 1815, 27 2.325.1 Feb Aug 2599 1.0 Flemtog Oversex, B 1825, 15 11.25.1 Feb, Sept. 2500 1.0 Flemtog Verb, Iw. B 125 1.15.1 1.25.1 Feb, Sept. 2500 1.25.1 Feb Aug 2599 1.45. 211.1 920.6 No. July 2601 2601 2601 2601 2601 2601 2601 2601	10. Sinhestment to	28. §Sulfortelo SG. 284, 91900. 9. 408.01 Mar. Sept. 4382 232 394 and Reefs 50c. 248, 91900. 9. 408.01 Mar. Sept. 4382 232 395. 113 980c 17.02.06 Feb. Aug. 213 980c 17.02.06 Feb. Aug	in since increased or resumed in since reduced, passed or deferred to ton non-residents on application ficially UK listed; dealings permitted under rule Ka) not listed on Stock Exchange and company not ted to same degree of regulation as listed securities, in mode Rule 535(3). It time of suspension ted dividend after pending scrip and/or rights issue, and the dividend after pending scrip and/or rights issue, and or reorganisation in progress interim; reduced final and/or reduced earnings led timerim; reduced final and/or reduced earnings led tidvidend.  allows for conversion of shares not now ranking for risk or ranking only for restricted dividend.  allows for conversion of shares not now ranking for risk or ranking only for restricted dividend.  allows for conversion of shares not now ranking for risk dividend.  Tracing allow for shares which may also rank for id at a future date.  I value lan Francs. Fr. French Francs 55 Yield based on Treasury Bill Rate stays unchanged until maturity of smalled dividend. In Figures based on prospectus or estimate, cents. In Dividend rate paid or payable on oltai. I Redemption yield. I filst yield, g Assumed by yield. Assumed by led after sorly issue, from capital sources. It Kenya, at Interior higher than Ial. In Rights issue pending s Dividend and yield after sorly issue.
55	PAPER, PRINTING, ADVERTISING  7. 52 th VA Selection 5 to   43   1.8   3.8   2.5   4   1 th a. 1 th	ashope Props. (# 270 a	7. Therestors Capital in 1947. 1948. 25.6 9.3 Oct. Mar. 2975. 1949. 1949. 25.6 9.3 Oct. Mar. 2975. 25.6 1949. 25.6 9.3 Oct. Mar. 2975. 25.6 1949. 25.6 9.3 Oct. Mar. 2975. 25.6 1949. 25	54.65mith New Coart, v. 190 8.0 5.821.12 Jan Aug 4046 11.65mmit 1900 99 6.5 8.8 4.7 Jan Aug 4046 11.65mmit 1900 99 174 4.0 3.121.3 Oct. Apr 4032 48.85mai Euro Fd. Pts. 50.1 131 00.0 4.5 7.3 Apr 0ct. 4192 48.85mai Euro Fd. Pts. 50.1 170 09.57 3.4 8.2 Apr 0ct. 4192 1.58 Do. Warrants 70 09.57 3.4 8.2 Apr 0ct. 4290 1.58 Do. Warrants 8 25 25 25 25 25 25 25 25 25 25 25 25 25	197   2-boins Fields S.A.   2.   3.44   1.195   5.2   5.2   1.10   1.1	syment. I indicated dividend. u Forecasi, or estimated dividend rate. y Subject to local tax. y Dividend and dividend rate. Y subject to local tax. y Dividend and on merger terms. 2 Dividend and yield include a ment. A feet dividend and yield and yield include a ment. A feet dividend and yield have dividend and yield based on prospectus or other official estimates. 91–6 Assumed dividend and yield based on prospectus or all estimates for 1981. K Dividend and yield based on prospectus or all estimates for 1987. W Dividend and yield based on or other official estimates for 1987. P Figures based us or other official estimates for 1987. P Figures based us or other official estimates for 1987. P Figures based us or other official estimates for 1987. Figures based us or other official estimates for 1987. Figures based us or other official estimates for 1987. Figures based us or other official estimates for 1987. Gross. R muslised dividend. T Figures assumed. W Pro forma bividend total to date.  INTERSECTION OF TRUES OF T
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2011 2011 2015 5.5	5. Distortion Open 135. 1 148 pl. 0 5.721.72 Apr Oct 155.19 3. Line 54 pc. 0. Challer L. 1 5.22 7.721.6 Dec. June 155.18 5. Distortion Open 53. 515.19 (1980) 5.311.5 Fishly in 18551 9. 3. 3. 50 New Paper 200. 1	Mohat v 214 7.5 3.811.4 May Nov. 1917 7.	S. Sharife Assets Sto	15.18Freed Energy 109  3.16Scalle (Resources, V. 4.)	Figure   F	95 Peachty 50  28 Oils  12 Brit. Gas. 15  28 Brit. Petroleum 24  Barmah Oil. 50  26 Barmah Oil. 50  27 Brit. Petroleum 70  28 Charlerball 3  Charlerball 3  Charlerball 40  25 LASMO 40  25 Sasil 75  Uhraniar 26

#### CURRENCIES, MONEY AND CAPITAL MARKETS

thought suggests that high levels of sterling will not be achieved. Their argument is that that economic fundamen-

tals - principally the deteriorat-ing current account deficit-will ultimately cause a down-

ward correction in sterling's

#### **FOREIGN EXCHANGES**

### Sterling may be living on borrowed time

sterling in foreign exchange markets now begs the question: how long will it last? This will be in the minds of many when trading opens in London this morning. The Bank of England made its presence felt last week by selling sterling, but investors are not in the mood to pass up what looks like a one-way bet. Resistance at DM3.20 may already be history, and DM3.25 could be within sight.

All this has been being

All this has been being achieved in the face of a stron-ger dollar, which has left the

July 29	Clase	Previous Close
E Spot	1.7095-1.7105 0.36-0.34pm 1.04-1.01pm 3.35-3.25pm	1.7215-1.7225 0.34-0.32pm 1.00-0.96pm 3.20-3.10pm

STERLING INDEX

**CURRENCY RATES** Bànk rate % Enropean Carrency Unit July 29 0.753729 1.30674 1.57946 17.0530 50.7832 9.20141 2.42374 2.73762 8.18477 N/A 172.163 8.78391 159.617 8.30433 2.01626 0.901262

**CURRENCY MOVEMENTS** 

-15.5 -9.8 -2.0 +9.6 -6.3 +0.6 +20.6 +20.6 +12.8 -14.8 -20.9 +78.6 89.3 143.1 166.7 131.8 69.0 45.1 241.0

OTHER CURRENCIES

17 8705-17 9840 10.4200 - 10.4800 2.1315-2.1345 12440 - 1.2450 406.75 409.00 277 15-238.35 75 905 - 7.8070 148.35 - 150.85 13.3470 - 13.3675 78050 - 7.8070 121.50° 1241 25 . 1251.20 720 80 . 726.60 0.48550 0.48550 0.48550 0.28350 0.28550 0.28550 0.28550 0.28550 0.28550 0.28550 0.28550 0.28550 0.28

FORWARD RATES **AGAINST STERLING** 

THE STRONG performance of sterling in foreign exchange against sterling and near a markets now begs the question how long will it last? This despite last week's rise in the West German Lombard rate.

> Investors see every reason for feeling confident about sec-uring a good return on sterling investments, at least in the short term. Mr Nigel Lawson, UK Chancellor of the Exche-quer, has acknowledged that inflation is likely to rise before it falls, but he has pledged to take whatever steps are necessary to mit trend. Since

ment between budgets appears unlikely, this leaves interest rates as the main weapon. From the beginning of June, base rates have risen three full points, in six half point stages, and in the same period sterling's exchange rate index has risen progressively.

Already some forecasters now are even talking about sterling at \$2.00 and as high as DM3.50. While wondering if the authorities can afford to risk

authorities can afford to risk an erosion of corporate profit

æ 	mise the a fiscal re	adjust-	equally	h rates, strong s	chool o
•	EUROPE	an Curi	RENCY	JNIT RA	TES
	Eco cestral rates	Carrency amounts against Ecu July.29	% change from central rate	% change adjusted for divergence	Divergence Jimit, %
	42 4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58	43 6319 7 90967 2 08486 7 02625 2 35383 0 774860 1538.24	+2.76 +0.73 +1.28 +1.77 +1.46 +0.84 +3.69	+1.10 -0.93 -0.38 +0.11 -0.20 -0.82 +2.68	±1.5344 ±1.5404 ±1.0961 ±1.3674 ±1.5012 ±1.6684 ±4.0752

1538.24 +3 69 1483.58

July 29	Day's spread	Clase	One month	% p.e.	Tiere ragnilis	% p.a.
S	1.7050 - 1.7275	1.7100 - 1.7110	0.35-0.32com	2.35	I.05-1.00pm	2,
203da	2.0655 - 2.0885	2.0705 - 2.0715	0.24-0.14com	1.10 1	0.66-0.53pm	15323520023
etherlands .	3 61 - 3.64	3.6112 - 3.6212	14-14cm	5.39	54-45pm	5.
ekum		67.10 - 67.20	27-14com	366	68-50om	3.
ennark	12.154 - 12.254	12 154 - 12 164	24-13-oresm	210	71 <sub>2</sub> -53 <sub>0</sub> m	2
Eliand	1.1890 - 1.1990	1.1900 - L 1910	0.35-0 25cpm	3.02	1.00 G.800m	3
Germany	3.20 - 3.22 4	3.2019 - 3.21	15-14cpm	5.14	45-4pm	5
rises	258.10 - 260.40	258.70 - 259.70	35-95cdls	-301 l	120-220ds	2
السين والج	210.40 - 212.80	210.40 - 210.70	Som-12cdk	-301 -011	17-parpm	Ō.
aly	23594 - 23834	236312 - 236415	Jonn-21 reds	-0.25	par-5dis	-0
OFFICE		11.594 11.604	2-3credis	-259	64-7506	-2
30CF	10.783 - 10.884	10.804 - 10.814	34-24000	3.19	94-8pm	3.
reden	10.951, -11.041	10.96 - 10.97	par-boredis	027	1pm-4db	Q. 5
DSU	227 - 229	227 - 228	1-k-lypm	6.26	35-34 pm	5
Stria	22.45 - 22.66	22.45 - 22.48	93-74 groom	4.47	28 <sup>1</sup> 2-23pm	4.
vitzerland .	2665 - 2685	2665 - 2675	1%-15cpm	7.58	34-34 pm	S.

July.29 240 -1.26 2.28 1.08 2.28 2.24 2.27 2.37 2.49 2.49 4.44 **EURO-CURRENCY INTEREST RATES** 

Cae Year 10-10-8-8 91-82 51-5 31-32 51-5 71-72 103-10-61-64 42-4 84-72 84-84 

**EXCHANGE CROSS RATES** 

July 29	2	5	DM	Yes	F Ft.	S Fr.	H Fl.	Lira	C 5	₿ Fr.
£	] 0.584	1711	3.208 1.875	227.5 133.0	10.8 <u>1</u> 6.318	2.670 1.560	3620 2116	2364 1382	2.071 1.210	67.15 39.25
DM	0.312	0.533	14,10	70 92	3.370	0.832	1.128	736.9	0.646	20.93
YEM	4.3%	7.521		1000.	47.52	11.74	15.91	10391	9.103	295.2
F Fr.	0.925	1.583	2.968	210.5	10.	2.470	3.349	2187	1.916	62 12
S Fr.	0.375	0.641	1.201	85.21	4.049	1	1.356	885.4	0.776	25 15
H FI.	0.276	0.473	0 886	62.85	2.986	0.738	1	653.0	0.572	18.55
Lira	0.423	0.724	1.357	96.24	4.573	1.129	1531	1000.	0.876	28.41
C S	0,483	0.826	1.549	109.9	5.220	1 289	1.748	1141	1	32.42
B Fr.	1,489	2.548	4.777	338.8	16.10	3.976	5.391	3520	3.084	100.

well lead to less active trading in foreign exchange markets. This could well result in less opportunities for currency speculators, with the markets falling back on underlying fun-

The dollar, meanwhile, has enjoyed a return to favour, rising nearly three per cent against the D-Mark and one and a half per cent in yen. terms in just one week. Central banks have endeavoured to the entermy of the energia. take out some of the specula-tive surge, but inflation wor-ries last week left dollar bulls with the upper hand.

unemployment and capaci-utilisation rates is essential, more intense inflationary pro sures are to be avoided.

While the US economy continues to grow in a relatively satisfactory fashion - led by strong export growth - the authorities are only too award that inflation in the second quarter of the year has rised by an annualised rate of 4 p.c., a point not lost on M Greenspan. It is possible the subsequent adjustment maler this figure; yet on the surface this has been the highes rate among major industrial. This week's release of US unemployment figures for July are likely to assume great importance, especially after comments by Mr Alan Green' span, chairman of the US Federal Reserve Board, when he face this has been the higher rate among major industrial lised countries, excluding that and any signs of a continuing the second treatment of the US Federal Reserve.

Estimated Volume 4694 (5684) Previous day's open los. 7511 (7700) CURRENCY FUTURES LIFFE-STEDE DIG \$25,000 S per \$ Clost High Low 1,7059 1,7065 1,7056 1,6965 1,6892

#### **MONEY MARKETS**

### UK rates look set to remain firm

Yen per 1,000: French Fr. per 10: Ura per 1,000: Belgian Fr. per 100.

hoping for a quieter time when money markets open this morning. With the exception of official reserves for July - due out tomorrow - there are no statistical data this week to

lead the market.

External factors are therefore likely to play a more important part, with sterling's performance exerting a strong influence on interest rates. This year's summer recess could prove to be a worrying

time for Mr Nigel Lawson, UK Chancellor of the Exchequer. Foreign investors seem keen to buy sterling, on the premise that interest rates are set to

UK clearing bank base lending rate 18½ per cent from Joly 18

rise, or at worst remain stable. and most forecasters echo this view. But the Chancellor has

FT LONDON INTERBANK FIXING C11.00 a.m. July.297 3 granths U5 dollars 6 months US Dollars offer 8% n one-slateemb, of the bid and offered rates for \$10m ch working day. The basis are National Westmiaster arts and Morgan Guaranty Trust.

BANK OF EN	GLA	ID TI	REASURY BII	L TENDER
	July 29	July.22		July.29 July.22
Bills on offer Total of applications Total allocated Minimum accepted bid Allotment at minimum level	C100±4 £452m £100m £97 425 37%	£357m £100m	Top accepted rate of discount Average rate of discount, Average yield Autount on offer at next test	10 2538°5 9 8500% 10 5333°5 10 0990%

	NI A NG		ODI D. MITERI	- D	7
MEEKTA C		E IM W	ORLD INTER		
LONDON	July 29	change	NEW YORK	Jøly.29	change
7 day loterbank	101 101 101	Vech'd +52 +0.4138 Vech'd Unch'd Unch'd Unch'd Unch'd Unch's	Prime rates Federal Funds 3 Mth. Treasury Bills 6 Mth. Treasury Bills 3 Mth. CD PRANKFURT Londard One mth. Intertant Three spotts	95 76 7.19 7.51 8.175 5.00 4.875 4.975	Unch'd +0.23 +0.05 +0.050 +0.150 +0.125
1 Mich. Bank Bills	104 104 4.03125	- ig - ig - siz Usech'd	PARIS Intervention Rate One mit, Interbunk Three month	6.75 7.2 7Σ	-0.50 +½ Usechid
BRUSSELS Goe month Three month	643 7 <u>3</u>	蒜	Ope month Three month	10% 114	-14
AMSTERDAM One morth Tivee month	54 5 <u>4</u>	+14 +2	Oue mouth	77	ijach'd -≟

wrong foot too many times in the past for sterling to be regarded as a one way bet.
That said, it is becoming increasingly more difficult to contemplate any downward move in base rates from the current 10% p.c.

UK money supply continues to grow strongly. The narrowly defined M0 - regarded as a key influence on Treasury thinking - grew by an annualised rate of 8.3 p.c. over the last six

months, well above the official 15 p.c. target range. The authorities will be hoping that the rise in interest rates since June will start to feed through to the economy. Disposable income will fall as a result of higher mortgage rates, credit demand should slow, and the alarming rise in houses prices should moderate. Of course all this will take time, and money and foreign exchange markets are not noted for their patience.

	M	ONE	/ RAT	ES		
NEW YORK			Treasury	Bills and	Bonds	
(4pm)	Q:	ne month Magnetin	···		76 <b>2</b>	
Prime rate Broker loan rate Fed funds Fed funds at latervention.	. 95 T . 985 S . 74-4 O	iree motili is mootili is year		7.17 Five y 7.48 Seven 7.91 10-ye	197 197	9.00 8.98 9,11
July 29	Overnight.	One Month	Tieq Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-4.25	4.80-4.95	4 90-5,05	5 00-5.20	5,20-5,40	5.00
Paris	74-74 14-14	74-74	74-75	714-715 35-34	75-74	6.75
Ansterday	55.5%	51.54		54.54		:
Tokyro	3.B4375	462			_	-
Mil39	10-10½	105-114	-	11-17-2	-	-
Brassels Dublia	73,75	72-73	74.73	74-74 74-8	84-84	:
i	LOND	M NC	ONEY	RATI	<b>E</b> \$	
July.29	Overnigh	7 days	One Month	Three Months	Six Months	One Year

July.29	Gvernight,	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer Interbank Bie Sterling CDs Local Authority Depail Discount Mirt Depail Company Deposits Finance House Deposits Finance House Deposits Treasury Bills (Buy) Bank Bills (Buy) Fine Trade Bills (Buy) Dollar CDs SDR Linked Dep Bid COU Linked Dep Bid COU Linked Dep Bid		10½ 10 10¼ 10	24-64-60 7-5-4-63-5 100-100-100-100-6-7-6-5-6-7-6-7-6-7-6-7-6-7-6-7-6-7-6-7	1004 4 3 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	11 10 14 10 10 10 10 10 10 10 10 10 10 10 10 10	11 2 10 2 10 2 10 2 10 2 10 2 10 2 10 2
Treasury Bills (self) ode-month 10-1 per cere discount 10 2638 p.c. E Agreed rates for period Ai 18. III: 11.86 p.c. E Agreed rates for period Ai 18. III: 11.86 p.c. Local Auth Finance Houses Base Ranotice 3.25 per cent. Cero month 71. per cent; months 81-2 per cent; May.17,1988 Deposite.	it; three mo CGD Fixed I lugust 24, 19 erence rate ority and Fi 16 8½ from Ufficates of 1 one-three mone-twelve	nths 10 % p Rate Sterlin 188 to Septe for period pance Hous July 1, 19 Tax Deposit ponths 8 % p	per cent; Tro g Export Fir ymbar, 25, 1 july, 1,1988 es seven day y88: Bank D (Sarles 6); D per cent; than per cent;	easory Bills; whose Males 988, Schem to July.29 ys' notice, o leposit Rate eposit £100 ee-six mond	Average to up day July e !: 11.49 p . 1988, Sci where seven s for some a . 000 and own to 8 \ 2 per c	nder rate of 1,29,1988, .c., Schemes nv&v: days' flixed, t seven days ar held under ent; six-aine

Today marks not only the start of the annual holiday period in the City of London, but, in consequence, probably the beginning of a technically different phase. Many senior traders will be enjoying a well earned respite, and this may	eral Reserve Board, when he	subsequent adjustment may alter this figure; yet on the surface this has been the highest rate among major industrialised countries, excluding Italy, and any signs of a continuing mover trend seem certain to lead to a further tightening of monetary policy by the US Fedaral Beserve.
PHILABELPHIA SE LIS OFTENS £12,500 trads per £1)	LAMBOR SE 1/5 OPTIONS £12,500 km/s per £1)	
Strike Price Aug Sep Oct Dec Aug 1.650 5.78 6.44 6.66 7.42 0.14 1.675 3.65 4.66 5.00 5.91 0.54 1.700 1.599 3.17 3.60 4.60 1.34 1.725 0.91 2.06 2.52 3.53 2.71 1.750 0.34 1.31 1.79 2.66 4.73 1.775 0.07 0.75 1.17 2.01 6.96 1.800 0.01 0.79 0.72 1.45 9.34 Previous day's open int: Calts 562,504 Puts 512,466 Previous day's volume: Calts 13.866 Puts 22,906	Sep Oct. Der Price Aug Sep 1.08 1.08 3.03 16.59 5.85 7.50 1.81 2.45 3.97 1.706 2.65 3.90 2.72 3.57 5.19 1.750 0.85 1.85 4.10 4.78 6.55 1.800 0.45 0.90 5.77 6.63 8.13 1.880 0.40 0.55 7.69 8.38 9.87 1.900 0.30 0.45 9.81 30.40 11.75 1.950 0.30 0.44	Parts extriments
LIFFE LONG CRLY FUTURES OPTIONS  Surice Calls-settlements Pats-settlements	LIFFE US TREASURY OGIO PUTURES OPTIONS SURGE Cally-pethonogy Puts-pethonogy	LIFFE FT-SE THOEX FUTURES OFTENS Strike Calls-settlements Puts-settlements
Price Sep Dec Sep Dec Sep Dec Sep Dec Sep Dec Sep	Price San Date Sep Date 80 bits 529 2 27 82 420 525 4 55 84 222 322 16 134 86 107 163 70 231 88 19 114 203 346 90 6 45 339 513 72 3 24 551 666	Price Aug Sen Aug Sen 1700 1747 1491 7 51 17500 9777 1068 77 128 18000 571 710 131 270 18500 277 433 357 493 19500 107 241 657 301 19500 32 122 1092 1182 20000 8 56 1568 1616
Estimated volume total, Calls 611 Pots 480 Previous day's open lat. Calls 29531 Pots 35831	Estimated ruleme total, Calls 1 País 125 - Previous day's open int. Calls 1834 País 1933	Estimated volume total, Calls O Pots O Previous day's open int., Calls 16 Pots 112
	A TOTAL CONTRACT OF STREET	LIFFE SHORT STEPLING
LIFFE S/S OPTIONS 525,000 (costs per 51)	LIFFE EVICENCIAL OF TIGHS Sim points of 180%	
Strike Calif-settlements Puts-settlements Price Ann Seo Ann Seo 155 1615 1615 0 5 165 1615 1615 1 28 166 416 664 17 105 170 222 342 133 283 175 47 143 448 594 180 4 48 905 999 185 0 13 1401 1454	Strike Calk-cetthements Puts-setthements Price Sep Der Sep Der 9050 103 84 0 14 9075 79 64 1 19 9100 56 48 3 28 9155 19 23 16 53 9175 7 14 29 69 9200 2 8 49 88	Surite Calls-actilements Pots-actilements; Price Sea Dec.
Estimated volume total, Calls 200 Puts 20 Previous day's open lot. Calls 706 Puts 143	Estimated volume total, Calls 475 Pots 140 Previous day's open left. Calls 1309 Pots 2425	Estimated volume total, Calls 190 Pots 577 Previous day's open int, Calls 13296 Pots 12103
LONDON (LIFFE)	CHICAGO	1
20-YEAR 9% MOTIONAL GILT £50,800 32ab of 108%		JAPARESE YEN ODDO
Clase High Low Pres. Sen. 94-24 95-67 94-20 94-31	U.S. TREASURY BONDS (CBT) 6% \$100,000 32mis of 100%	Y12.5m S per Y188
Estimated Volume 15228 (23555) Previous day's open lat. 44330 (44689)	Sep 85-06 85-14 85-25 85-24 Dec 85-14 85-22 85-03 85-01 Mar 84-25 85-00 84-15 84-12 hue 84-04 84-11 84-04 83-24	Close High Low Pres. 0.7545 0.7595 0.7535 0.7601 Dec 0.7613 0.7662 0.7610 0.7671 Mar 0.7678 0.7678 0.7675 0.7779 Jun 0.7753 - 0.7760 0.7817
THREE MONTH STEPLING ESGO,000 points of 100%	DEC 82-31 83-06 82-31 82-21 May 92-14	SEUTSCHE MARK (DOD)
Close High Low Pres. Sep 89.11 M 26 89.10 M 21 Dec 89.25 M 35 89.25 M 32 Nar 89.66 89.54 89.46 B9.47 Jan 89.57 89.60 89.56 89.58	Jun 81.31 - 81.25 Ser 81.17 - 81.08 Dec 81.03 81.06 81.05 90.26 Mar 80.22 80.25 80.22 80.13	NHC25,800 \$ per AM   Close   High   Low   Prev.
Est. Vol. (Inc. Figs. not shown) 14002 (21088) Previous day's open lat. 401.77 (39379)	U.S. TREASURY BOLLS COMED	
FT-SE 190 INDEX £25 per full (miex point	\$1m pelots of 180%.  Close High Low Prev.	THREE-MONTH EURIGOLLAR (MIN)
Cince High Low Pres. Sep 184.40 184.60 183.50 183.10 Det 186.00 High	0ec 42.61 42.64 42.61 42.55 Mar 42.55 42.56 42.55 42.55 Jun 42.41 42.41 42.38 42.35 See 42.31 42.31 42.24 42.25	Sim paids of 100%  Sep 91.51 91.54 91.51 91.49  Dec 91.19 91.21 91.18 91.15  Mar 91.14 91.15 91.11 91.10
Estimated Volume 837 (1028) Previous day's open (nt. 10024 (9867)	Sep 92.31 92.31 92.24 92.25 Det 92.23 92.23 92.19 92.19 Mater 92.18 92.18 92.14	Jee 90.99 91.00 90.97 90.95 3 Sep 90.86 90.87 90.84 90.82
THREE NONTH EUROBOLLAN		Dec 90.75 90.76 90.73 90.71 Mar 90.67 90.68 90.65 90.63 Jun. 90.60 90.62 90.59 90.57
Close High Low Pret. See 91.53 91.53 91.50 91.46	SWISS FRANC CHAID SFr 125,000 5 per SFr	STANDARY & PROFES 500 ENDEX
Sep 91.53 91.53 91.50 91.46	-1	SSAR times leafex

	3 <b>A</b> \$	E LENDING	RATES
	%		
ABR Bank		City Merchants Bank 1(	la Nat Westminster 1012
Adam & Company	16,5	Chydestale Bank	
AAB - Allied Arab Bk	102	Comera. Bk. M. East	
Allied Irish Bank		Co-operative Bank *10	
Henry Ansbacter		Countis & Co 10	
AMZ Banking Group		Cyprus Popular Bk 10	10 R. Rapkael & Sons 10 2
Associates Cap Corp		Domber Bank PLC 10	l Roxberghe G'rantee 1012
Authority Bank	1012	Dencas Lawrie 10	اَكِ
B & C Merchant Bank	105	Equatorial Bank pic 10	Royal Frust Back 10 2
Banco de Bilbao		Exeter Trust Ltd	Smith & Williams Sees 1032
Bank Hannafirm	10 ~	Fisancial & Gen. Sec 10	5 Standard Chartered 1035
Bank Leumi (UK)	104	First National Bank Pic. 11	15 TSB 10½
Bank Credit & Corno		Robert Fleming & Co 10	
Bank of Cyprus		Robert Fraser & Pines 11	
Bank of beland	105	Girobank 10	ly United Mizrabl Bank 105
Bank of Judia		Grindlays Bask	6 Unity Trust Bank Pic 105
Bank of Scotland		Gairness Mahoe	Western Trast
Banque Belge Ltd		MFC Bank plc	
Barclays Bank	185	● Hambros Bank 10	
Beschmark Bank PLC	105	Heritable & Gen Inv Bk 10	b Yorkshire Bank 105
Berliner Bank AG	105	● HUI Sampel €10	7
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**TOTAL VOLUME IN CONTRACTS: 46,588** 

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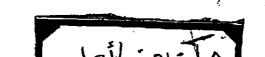
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#### **FT-ACTUARIES WORLD INDICES**

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL MARKETS	FRIDAY JULY 29 1988					THURSDAY JULY 28 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
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THE TOTAL PROFIT (24/2)	120,37	71.1	111.40	11.00	2.29	127.19	109.44	116.09	132,38	113,37	131,55

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local), Copyright, The Financial Times, Soldman, Sachs & Co., Wood Mackenzie & Co. 116.1987 CONSTITUENT CHANGES: Name changes; Cr. Foncier Immob to Comp. Fonciere Intl. (France) and Foseco Minsep to Foseco (U.K).

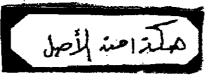


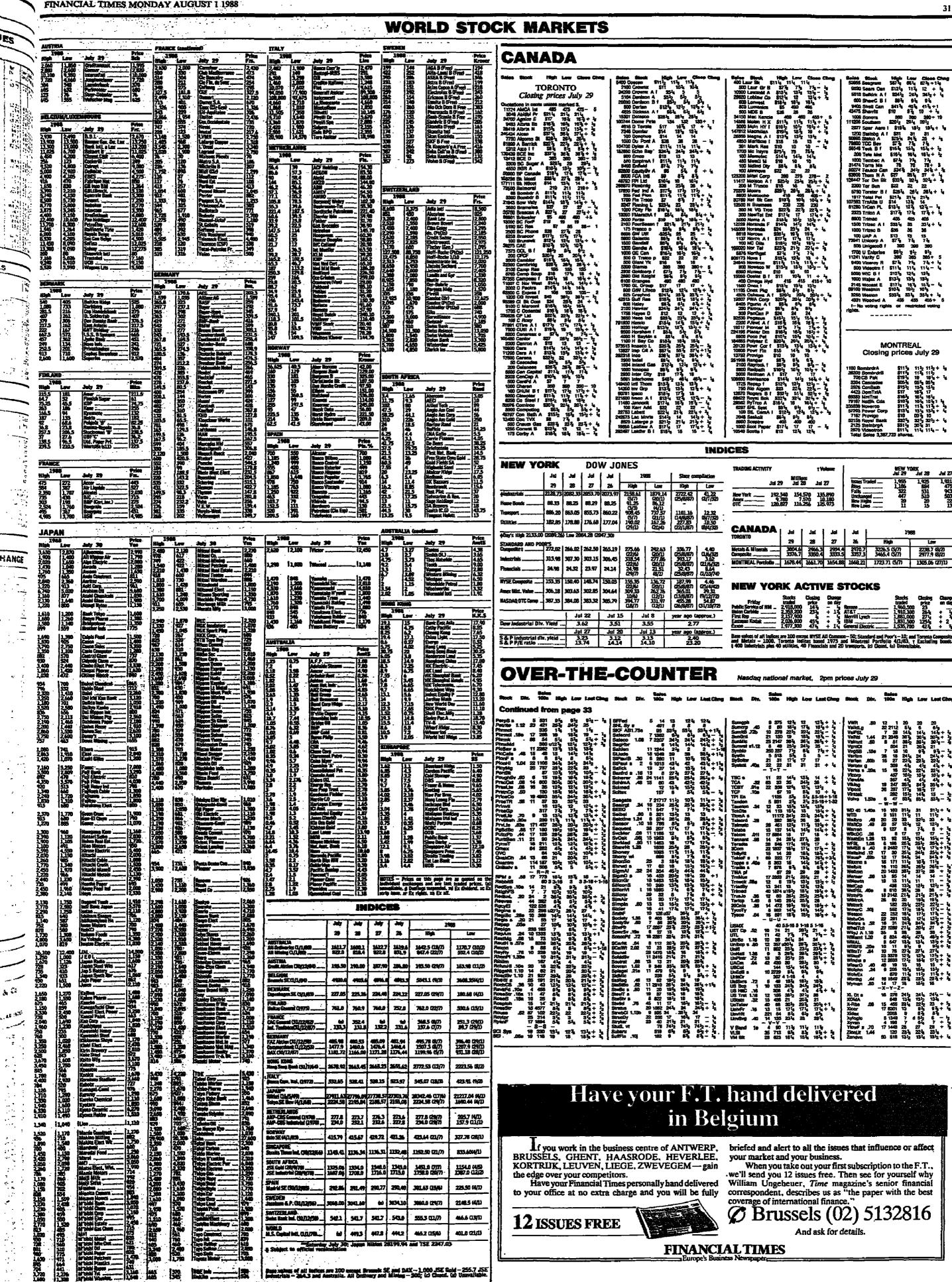
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#### Secrets of success for the Japanese

ne of the great British entrepreneurs of the 1950s and 1960s was Dr Daniel McDonald of BSR, who created a world-beating busi-ness in the manufacture of record changers. By going for massive volume and low cost, he won the custom of most of the leading record-player pro-ducers, including the Japa-nese. It was a classic example of the cost leadership strategy. Nowadays the vision and

ambition which Dr McDonald displayed are far more evident in Japan than in Europe or the US. Many Western manufacturers shy away from high-volume, commodity-type prod-ucts, in favour of one-off or small-batch operations with a product tailored to the needs of individual customers and

commanding a higher margin. No doubt a low-volume, high-margin strategy makes sense in many cases. But one cannot help recalling the response of the British motor cycle makers to the advance of the Japanese in the 1960s. They kept on retreating "up-market" in the hope of insulat-ing themselves from low-priced imports. But the Japanese followed them upwards until there was no space left. The Japanese have a

remarkable ability to identify market opportunities which call for products designed for high volume, low cost and acceptable but not extravagant performance. A striking example comes from machine tools, which was not considered an area of great Japanese strength until they saw the potential of CNC (computer numerically controlled) lathes.

As with many technological advances, CNC lathes were first used for applications where the product's advantages in speed and versatility were most valuable. At that stage it was performance rather than price that mat-tered. The early customers sophisticated companies. It was the next phase of the product cycle that gave the Japanese their chance.

Simplification, cost reduction and price

As Staffan Jacobsson has described in Electronics and Industrial Strategy (Allen and Unwin, £28), the Japanese set out to expand the market for CNC lathes among medium-sized and smaller engineering sized and smaller engineering companies. To meet this new market, the product had to be standardised, produced in volume to secure economies of scale and sold off-the-shelf, often through agents rather than direct to the customer. While European and American While European and American producers were focusing their efforts on large firms, the Japanese emphasised simplification, cost reduction and price as a competitive tool.

There are aspects of Japan's industrial structure which partly explain this approach notably the importance of the sub-contracting system whereby large numbers of small engineering companies supply the leading industrial groups. These small companies provided a natural outlet for the new CNC lathes which the Japanese were designing.
Another element was the
strength of the Japanese electronics industry in making
low-cost CNC devices to be fit-

ted to the machine tools.

It may also be significant that Japan has a small defence that Japan has a small defence and aerospace sector — precisely the sector regarded as a principal outlet by the Western CNC lathe producers. In both the US and the UK the sophisticated demands of aerospace may have distracted attention from the much larger and ultimately more positable market in the gener run of engineering.

"coording to Jacobsson, the Japanese share of world produc ion of CNC lathes went from 15 per cent in 1975 to nearly 54 per cent in 1984, with the US as the main loser. The Japanese saw a market

The Japanese saw a market that looked capable of very rapid growth and invested accordingly. Western suppliers hardly recognised the existence of the market until the

Japanese came sweeping past. Some European CNC lathe makers have focused profitmakers have rocused profit-ably on the sophisticated end of the business and this remains a valid strategy. But it was the Japanese, with their cost leadership approach, who created a new market and went on to dominate it.

d a new market and als in its area, or of increasing the chances that persons will become homosexuals as a result of the activities. Even

INTERVIEW

## Business Putting himself in the picture

Alan Friedman meets Silvio Berlusconi, Continental Europe's 'Mr Television'

iivio Beriusconi is hav-ing the time of his life. The 52-year-old Italian has ambitions that extend far beyond the commercial television stations which already make him owner of the world's fourth biggest private network after CBS, ABC and NBC in the US. And the best part, as far as this energetic entrepreneur is concerned, is that he is on his way to realising several of his goals. Seated on the lawn of his

250-acre estate on the outskirts of Milan, his jacket cast aside because of the 90-degree heat, Continental Europe's "Mr Television" eats a vanilla ice-cream and speaks with pride of his

For the past few weeks he has been dominating the business headlines in Italy, having paid more than \$700m cash to buy La Standa, the nation's biggest department store chain. The Standa deal will bring the total "aggregate" turnover of Berlusconi's Fininvest group up to nearly \$10bn, although his aides admit that on a fully consolidated basis, group revenues come out at something closer to about half as much.

Berlusconi's interests, all contained in his unquoted and 100 per cent-held Fininvest group, now run from television stations that capture nearly 45 per cent of the national audience to his advertising subsidiary which handles 30 per cent of total national billings. They also include his real estate business, Italy's biggest, his insurance and financial services holdings, his 305-outlet cinema chain, and Milan AC football club. Also in the portfolio is his library of more than 200 Hollywood film titles, which is valued by Berluscon-i's bankers at nearly \$30n.

All of this is not bad going for the son of a Milan bank manager who spent his formative years as a tour guide, a photographer and a crooner of Frank Sinatra melodies in the sort of Blackpool on the Adria-

Berlusconi got started with a loan from his father. He put together a series of property deals in Milan and soon built deals in Milan and soon blint upon this modest success by reinvesting in bigger projects until, by the 1970s, he had com-pleted his beloved "Milano 2" housing project for 10,000 peo-ple. His talent is to spot gaps in the market, albeit in different sectors.

For example, his television

interests began as a modest local Milanese venture. His

much anxiety about its sup-

posed impact on the social and cultural scene as Section 28 of

the Local Government Act

Yet this law, which seeks to prevent UK local authorities

from spending their ratepayers' money to further the cause

of homosexuals, has the most marginal legal consequences. It is, in short, an attempt at cen-

sorship by unenforcable threat. Section 28 provides that a local authority shall not inten-

itionally promote homosexuality or publish material with the intention of promoting homosexuality. The provision does not impinge on the content of published literary works, dramatic performances

works, dramatic performances or films screened in public. It is aimed at those local authorities which might feel inclined to engage in propagandising, directly and intentionally, on behalf of homosexuality. Funding the arts out of local rates for artistic works which contain homosexual characters or themes is wholly outside the

themes is wholly outside the reach of the law. What then is caught by this statutory censor?

The key words in Section 28 are "promote" and "intention". Promote, to the lawyer's way of thinking, is to further advance or bring about the increase of something. In a House of Lords' decision a decade arm in the large of the section and the section an

decade ago in a case involving an election, promoting the elec-tion of a candidate was held to

mean "improving his chances of being elected". It follows, therefore, that for

a local authority to promote homosexuality, it must engage in some activity which has the consequence at least of increas-

ing the number of homosexu-

financial services and insurance businesses have grown on the back of a national network of 2,500 agents. Thus, from housing to television to the insurance market he has made deals and investments that have turned out to be increasingly shrewd. His critics demand to know where his funding comes from. He replies that it may once have come from bank loans, but today it comes from cash flow. "My for-mula for success," says Berlus-coni, "is to be found in three words - work, work and work."

in Italy the ever-smiling Ber lusconi is a folk hero, a man of the people who is saluted by thousands of fans when his helicopter touches down at a football stadium. When he arrives by land the fans sur-round his bullet-proof limou-sine and make his phalanx of armed bodyguards increasingly nervous as they scream his name. He responds with the

#### PERSONAL FILE 1936: Born Milan. Education:

University of Milan (law) 1969: Begins work on "Mil-1980: Canale 5 network

begins broadcasting 1983: Buys Italia 1 televi-1984: Buys Rete 4 television network

1985: Takes stake in La Cinq commercial TV network 1986: Buys Estudios Roma 1986: Buys Milan AC football club 1988: Buys La Standa

"V" sign for victory. And he clearly loves it all.

Berlusconi is a leading mem-ber of that breed of new-style Italian entrepreneurs, the eni-tomy of a self-made man who by his own admission likes to "start up businesses from scratch." In business terms he Benetton, the clothing manu-

But there is an important difference: Benetton had one shrewd idea that he transformed into a business with more than \$1bn of annual sales. Berlusconi has had sev-eral ideas, the most well known being to circumvent the Italian ban on anyone other than the RAI state television system broadcasting on a national basis by shuttling pre-recorded video-cassettes around 800 local relay stations and transmitting them simultaneously to create the illusion of a national network. Berlusconi's latest idea is to

achieve "synergies" between his 400-outlet Standa retail chain and his television networks. How? "We will offer packages to consumer product companies who advertise on television and sell at Standa and we will develop daily spots that feature bargains at

The retail market, for Berlusconi, represents a "tremen-dous growth area in Italy because there are only 20 hypermarkets in the whole of the country and there should

Using his real estate subsidiary on the one hand and television on the other, Berlusconi hopes to make inroads into Italy's L130,000bn (\$95bn) a year grocery market. "We will double Standa's sales within

three years," he predicts.
"I sell enthusiasm," declares
Berlusconi, who hastens to add
that this enthusiasm is aimed at the "service market" of entertainment, financial, real estate and now retail services. He generates a flow of adrena-lin that would fatigue many a lesser entrepreneur. He now works mostly from his 70-room 18th century villa, one of 11 homes he owns in Milan, Rome, Paris, Brussels, London. Bermuda, Lake Maggiore, Portofino, Sardinia and St Moritz. The Villa San Martino, with

its staff of 25 servants, secre taries, gardeners, drivers, heli-copter pilots and stable lads for the horses, is like something from the set of one of his own The plain-spoken Berlusconi

says he likes to hold business meetings at the Villa, but there are also a few facilities for play. Among these is a private football field, helicopter pad, stables for his childrens' horses, indoor and outdoor swimming pools (the former equipped with a six-foot wide wall screen for viewing television from the water), a large gymnasium, sauna, steam bath, Swedish shower, massage room, California jacuzzi, and a rest area fitted out with nine rest area fitted out with nine television screens. These simultaneously broadcast shows from the television sta-tions in Italy, France, West Germany and Yugoslavia which he either owns or supplies programmes or advertis-

ing for.

It is here at the villa that Berlusconi hosts an annual New Year's Eve party for family and close friends such as Conjellet Besty leader Retting Socialist Party leader Bettino Craxi. And while many Italians



accuse Craxi of offering special favours to Berlusconi, he him-self claims to be neither a convinced Socialist nor a Christian

His television empire appears to have reached saturation point in Italy, and the politicians are debating a law that would regulate broadcasting. The key for Berlusconi is to win the right to broadcast live news and sport, which he is still banned from doing. "Now we have entertainment television based on quiz shows, games, variety and serials and films. But live broadcasting would mean a news programme that is essential for us." Given the highly politicised debate over the issue, however, it is unclear when this might come about.

The Supreme Court has told parliament to act speedily and prepare media legislation, a move that the Italian press has interpreted as a potential defeat for Berlusconi because

he might have to divest some he might have to divest some of his interests. But a self-in-terested Berlusconi replies that, this is wrong and that "the Italian press is the least objec-tive in the Western world. Our newspapers are not written by journalists, but by industrial competitors with special intercompetitors with special interests." To his credit, Berlusconi does not interfere with the edi-

does not interfere with the editorial content of his own national newspaper Il Giornale. There is a great deal of the maverick in Berlusconi, and while not exactly a loner he certainly steers his own course. When, for example, leading private sector figures were invited a few months ago to take equity stakes in to take equity stakes in Mediobanca, the merchant bank bastion of Italy's Old Guard business élite that is symbolised by Gianni Agnelli of Fiat, Berlusconi declined. An aide explains: "Why should we have invested just to join the salotto buono (good drawing-room) of Italian capitalism,

just for prestige?"
And Berlusconi himself says
pointedly: "I don't need to go
and join clubs or to frequent salons. My club is here and I work with family and friends

In Italy he is a folk hero, a man of the people, who is saluted by thousands of fans when his helicopter touches down at a football stadium

who share the same idea of Utopia that I have." Doing things on his own has also meant shunning a public share listing on the Milan bourse. "Why should I go pub-lic?" asks Berlusconi, adding: "My cash flow is sufficient to take care of all investments." And the forthcoming priority, investments in Italy will be in the insurance business and in retailing. On a Europe-wide level, Berlusconi says that he will complement his television interests with a move to win more advertising concessions and to increase his already substantial business selling packages of television pro-grammes in France, Spain, West Germany and elsewhere. His latest coup came a month ago when he won exclusive rights to handle European advertising for Soviet televiPRINTE INCLINA

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Because his Fininvest is not listed, it is impossible to engage in a detailed analysis of Berlusconi's balance sheet. But the break-up value of his assets is reputed to be higher than \$500. And that, after 25 years of empire-building by this unique Milanese merchant, is not bad.

This announcement appears as a matter of record only.



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# a contemporary Brit-ish Act of Parlia-ment has aroused as

Beyond Section 28

then there may be insufficient evidence to attract the law's embrace, since what is not permissible is the promotion of homosexuality, which denotes an abstract condition rather than an act of sexual inter-There is another obstacle in

There is another obstacle in the way of the eager prosecutor in respect of some artistic event which is being financed by local authorities. Section 28 does not prohibit the promotion of homosexuality. What it prohibits is the intentional promotion of homosexuality. And the intention must be on the part of the promoting local part of the promoting local authority. It is not the inten-tion of the author, artist, actor, film maker or theatre producer

that is in question.

The law about intention is tolerably clear if an action is taken with the motive or desire of bringing about a desired consequence, that consequence is intended. Persons may intend to achieve a desired intend to achieve a desired consequence, where although it is not adesire, it is a very likely consequence of their action. In the present context, the consequence intended would have to be an increment in homosexuality.

It follows that a local authority could not be intringing Sec-

ity could not be infringing Section 28 unless, at the time it decided to fund some literary or artistic venture, it either

the fact that its action would result in increased homosexu-ality.
In reality, local authorities

which make grants in order to advance appreciation of the arts do not thereby intend to promote the activities of the funded artist. The intention is

funded artist. The intention is not to promote the activities, whether they be films portraying a bank robbery or crocodile shooting in the Northern Territory of Australia.

Whether a play or a film can be said to "promote" its subject matter may depend upon a careful analysis of its treatment. The act of funding a theatre of cinema which might show a film that did, objectively speaking, promote homo-

show a film that did, objectively speaking, promote homosexuality is too remote to amount to a fixed intention on the part of the donor or funds for the theatre or cinema.

The effects of Section 28 have been widely and wildly exaggerated. They have even been misrepresented in some quarters. There is no support for the supposed fear that the section would prohibit any local authority funding the arts in precisely the manner that it has done in the past. Only an entirely new proposal Only an entirely new proposal to fund an artistic activity might need to be examined carefully.

Strictly speaking, though, Section 28 is not a censorship provision. Local authorities who are otherwise bound in who are otherwise bound in law to finance a particular activity cannot legitimately excuse themselves from future funding on the grounds that homosexual themes are being portrayed in the theatre or cinema. Given the extent of public misunderstanding of the scope of Section 28, however, local authorities may nevertheless seize on such an excuse to threaten withdrawal of funds. If so, Section 28 might not have

Ulster Bank Limited Irish Intercontinental Bank Limited

If so, Section 28 might not have the marginal effect that a strict

reading of the law would indi-